TC 1.31/2: 42

JUN 2 3 1980

980-2

COMPLETED
90

SPUN ACRYLIC YARN FROM JAPAN AND ITALY

Determinations of Material Injury in Investigations Nos. 731-TA-1 (Final) and 731-TA-2(Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

USITC PUBLICATION 1046

MARCH 1980

United States International Trade Commission / Washington, D.C. 20436

I

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Catherine Bedell, Chairman
Bill Alberger, Vice Chairman
George M. Moore
Paula Stern
Michael J. Calhoun

Kenneth R. Mason, Secretary to the Commission

This report was prepared principally by

Marion M. Jacks, Investigator

with assistance from:

Rick Chiriaco, Office of Industries
Clark Workman, Office of Economic Research
Terry Smith, Office of the General Counsel

Lynn Featherstone, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

II

(202) 523-0161

NEWS

UNITED STATES INTERNATIONAL TRADE COMMISSION • Office of the Secretary • Washington, D.C. 20436

FOR RELEASE
March 6, 1980

CONTACT: Hal Sundstrom
(202) 523-0161

USITC 80-029

USITC MAKES FINAL DETERMINATION ON ANTIDUMPING INVESTIGATIONS ON SPUN ACRYLIC YARN FROM JAPAN AND ITALY

The United States International Trade Commission today determined under section 735(b) of the Tariff Act of 1930 that an industry in the United States is materially injured by reason of imports of spun acrylic yarn from Japan and Italy which are being, or are likely to be, sold at less than fair value. By virtue of these affirmative determinations of the Commission, the U.S. Customs Service will assess duties as appropriate.

Voting in the affirmative were Chairman Catherine Bedell, Vice Chairman Bill Alberger, and Commissioners George M. Moore, Paula Stern, and Michael J. Calhoun.

The investigations, designated as investigations Nos. 731-TA-1 and 2 (Final), are the first final determinations completed by the Commission under the new Antidumping provision of section 735(b) of the Tariff Act of 1930, as amended by the Trade Agreements Act of 1979.

These investigations are transition cases in that earlier Commission investigations (Nos. AA1921-212 and AA1921-214), underway on January 1, 1980, the effective date of the Trade Agreements Act of 1979, were terminated and investigations Nos. 731-TA-1 and 2 (Final) were instituted.

The Commission's public report, Spun Acrylic Yarn From Japan and Italy (USITC Publication 1046), contains the views of the Commissioners and information developed during the investigations. Copies may be obtained by calling (202) 523-5178, from the Office of the Secretary, 701 E Street NW., Washington, D.C. 20436, or from the Commission's New York Office, 6 World Trade Center, Suite 629, New York, N.Y. 10048, telephone (212) 466-5599.

III

FACTUAL HIGHLIGHTS

Spun Acrylic Yarn From Japan and Italy
731-TA-1 & 2 (Final)

Status of Proceedings:

1. Petition Filed--November 22, 1978--Japan, and May 21, 1979--Italy.
2. Petitioner--American Yarn Spinners Association.
3. Date Investigation Instituted by USITC--Investigations under the Antidumping Act, 1921, were instituted on October 22, 1979, for Japan, and December 27, 1979, for Italy. On January 1, 1980, the effective date of the Trade Agreements Act of 1979 (TAA), the Commission terminated the investigations under the Antidumping Act and instituted them under the TAA.
4. Public Hearing--January 22, 1980, Washington, D.C.
5. LTFV Margins--23.19 percent--Japan, and 48.05 percent--Italy.

U.S. Industry:

1. Number of Producers-- 9 in 1979.
2. Location of Producers--Principally North and South Carolina.
3. Type of Product--Spun acrylic yarn for machine knitting. Used principally in the manufacture of sweaters, headwear, gloves, scarves, and certain hosiery.
4. Employment--3,385 in 1979.
5. Producers' Shipments (in 1,000 pounds)--

1976	61,374
1977	64,925
1978	52,916
January-September:	
1978	43,327
1979	34,727

6. Apparent U.S. Consumption (in 1,000 pounds)--

1976	68,246
1977	80,501
1978	76,442
January-September:	
1978	64,254
1979	41,288

U.S. Imports:

1. U.S. Imports (in 1,000 pounds):

	Japan	Italy	Total
1976	3,547	0	6,872
1977	12,073	746	15,576
1978	8,841	2,941	23,526
January-September:			
1978	8,411	1,953	20,927
1979	225	896	6,561

2. Ratio of Imports to Apparent U.S. Consumption (in percent on the basis of quantity):

	Japan	Italy	Total
1976	5	0	10
1977	15	1	19
1978	12	4	31
January-September:			
1978	13	3	33
1979	1	2	16

3. Sources of Imports other than Japan and Italy: Philippines, Republic of South Africa, United Kingdom, Romania, and others.

CONTENTS

Page

Determination of the Commission --- 1
Statement of reasons for the affirmative determinations of Chairman Catherine Bedell and Commissioner George M. Moore --- 3
Views of Commissioners Paula Stern and Michael J. Calhoun --- 9
Views of Vice Chairman Bill Alberger --- 19

Information obtained in the investigation:

  Introduction --- A-1

  The product:

    Description and uses --- A-3
    Production processes --- A-3
    U.S. customs treatment --- A-4

  Nature and extent of LTFV sales:

    Japan --- A-5
    Italy --- A-6
  The U.S. market --- A-7
    Channels of distribution --- A-7
    U.S. producers --- A-8
    Exits from the industry --- A-8
    U.S. importers --- A-9

  Consideration of material injury or the threat thereof:

    U.S. production --- A-9
    U.S. producers' shipments --- A-10
    Capacity and capacity utilization --- A-10
    Inventories --- A-11
    U.S. imports --- A-12
    Apparent U.S. consumption --- A-13
    Employment --- A-14
    Profit-and-loss experience --- A-16
    Investment in productive facilities --- A-19
    Research and development expenditures --- A-21

  Consideration of the causal relationship between LTFV imports and the alleged material injury:

    Market penetration --- A-21
    Prices --- A-22
    Lost sales --- A-26

    Competitive products:

      Wool --- A-28
      Imports of sweaters --- A-28
Appendix A. Treasury Department letters advising the Commission of its determination of LTFV sales from Japan and Italy --- A-31
Appendix B. U.S. International Trade Commission notices concerning its investigations of spun acrylic yarn from Japan and Italy --- A-35
Appendix C. Treasury's notices of its antidumping proceeding, withholding of appraisement, and determination of sales at less than fair value on imports from Japan --- A-41
Appendix D. Treasury's notices of its antidumping proceeding and withholding of appraisement and determination of sales at LTFV on imports from Italy --- A-47
Appendix E. Procedure employed in estimating total imports of spun acrylic plied yarn --- A-51

CONTENTS--Continued

Figure

Page

Spun acrylic plied yarn for machine knitting: Weighted average lowest prices of U.S. producers and importers of yarn from Japan and Italy to principal knitter customers of specified types of yarn, by quarters, January 1976-September 1979 ---------- A-25

Tables

1. U.S. production of man-made sweaters and apparent domestic consumption of spun acrylic plied yarn for machine knitting, 1976-78 ---------- A-7
2. Spun acrylic plied yarn for machine knitting: U.S. producers' end-of-period inventories, by types, 1975-78, January-September 1978 and January-September 1979 ---------- A-11
3. Spun acrylic plied yarn for machine knitting: U.S. imports for consumption, by principal sources, 1976-78, January-September 1978, and January-September 1979 ---------- A-12
4. Average number of production and related workers producing and dyeing spun acrylic plied yarn for machine knitting, 1976-78, January-September 1978, and January-September 1979 ---------- A-15
5. Hours worked by production and related workers producing and dyeing spun acrylic plied yarn for machine knitting, 1976-78, January-September 1978, and January-September 1979 ---------- A-15
6. Profit-and-loss experience of U.S. producers on their spun acrylic plied yarn operations only, 1976-78, January-September 1978, and January-September 1979 ---------- A-17
7. Selected financial data for U.S. producers of spun acrylic plied yarn on their spun acrylic plied yarn operations, by firms, 1976-78, January-September 1978 and January-September 1979 ---------- A-18
8. U.S. producers' cash flow from operations on spun acrylic plied yarn, by firms, 1976-78, January-September 1978, and January-September 1978 ---------- A-19
9. Investment in productive facilities and net operating profits, by firms, 1976-78, January-September 1978, and January-September 1979 ---------- A-20
10. Spun acrylic plied yarn for machine knitting: U.S. producers' shipments, imports (Japan, Italy, and total) and apparent consumption, 1976-78, January-September 1978 and January-September 1979 ---------- A-22
11. Spun acrylic plied yarn for machine knitting: Weighted average lowest prices of U.S. producers and importers of yarn from Japan and Italy to principal knitter customers of specified types of yarn, by quarters, January 1976-September 1979 ---------- A-24
12. Sweaters of manmade fibers: U.S. imports for consumption, by principal sources, 1974-79 ---------- A-29

Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[731-TA-1 (Final) and 731-TA-2 (Final)]

SPUN ACRYLIC YARN FROM JAPAN AND ITALY

Determination

On the basis of the record [1] developed in the investigations, the Commission unanimously determines pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) that an industry in the United States is being materially injured by reason of imports of spun acrylic yarn provided for in item 310.50 of the Tariff Schedules of the United States from Japan and from Italy, [2] which the Department of the Treasury has determined are being, or are likely to be, sold in the United States at less than fair value.

Background

On October 22 and December 17, 1979, the United States International Trade Commission received advice from the Department of the Treasury that spun acrylic yarn provided for in item 310.50 of the Tariff Schedules of the United States from Japan and Italy, respectively, is being, or is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921 (19 U.S.C. 160(a)). Accordingly, on November 19 and December 27, 1979, the Commission instituted investigations Nos. AA1921-212 and AA1921-214, respectively, under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise from Japan and/or Italy into the United States. However, the Antidumping Act was repealed on January 1,

---

[1] The record is defined in sec. 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j)).

[2] Chairman Bedell and Commissioner Moore voted affirmatively as to the cumulative imports from Japan and Italy. Vice Chairman Alberger and Commissioners Stern and Calhoun voted affirmatively as to the separate imports from Japan and from Italy.

1980, by the Trade Agreements Act of 1979 (Public Law 96-39, 93 Stat. 144, July 26 1979). Under section 102 of that act, the Commission was required to terminate antidumping investigations in progress on January 1, 1980, and reinstitute them under subtitle B of title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979. Accordingly, on January 1, 1980, investigations Nos. AA1921-212 and AA1921-214 were terminated and new investigations (Nos. 731-TA-1 (Final), Spun Acrylic Yarn From Japan, and 731-TA-2 (Final), Spun Acrylic Yarn From Italy)) were instituted under the provisions of section 735 of the Tariff Act of 1930.

Copies of the notices of the institution of investigations Nos. AA1921-212 and AA1921-214 and of the hearing to be held in connection therewith were posted at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and published in the Federal Register of November 28, 1979 (44 F.R. 68040), and January 3, 1980 (45 F.R. 858). Notice of the termination of investigations Nos. AA1921-212 and AA1921-214 and of the institution of investigations Nos. 731-TA-1 (Final) and 731-TA-2 (Final) was published in the Federal Register of January 17, 1980 (45 F.R. 3403). The public hearing was held in Washington, D.C., on January 22, 1980, and all persons who requested the opportunity were permitted to appear in person or by counsel.

STATEMENT OF REASONS FOR THE AFFIRMATIVE DETERMINATIONS OF CHAIRMAN CATHERINE BEDELL AND COMMISSIONER GEORGE M. MOORE

On the basis of the record developed in these investigations, we determine, pursuant to section 735 of the Tariff Act of 1930, that an industry in the United States is being materially injured by reason of imports of spun acrylic yarn from Japan and Italy sold at less than fair value (LTFV).

The domestic industry

In these investigations, we consider the relevant domestic industry to consist of the facilities in the United States used in the production of spun acrylic plied yarn for machine knitting. This yarn, made from acrylic fiber, is used primarily in the manufacture of sweaters, headwear, gloves, scarves, and socks (see Commission Report (C.R.), p. A-3). There are currently nine producers, hereinafter referred to as spinners, with manufacturing facilities concentrated in North and South Carolina (C.R., p. A-8).

LTFV sales

The administering authority's investigation covered exports of spun acrylic plied yarn from Japan between January 1 and December 31, 1978. The investigation was limited to sales of three Japanese manufacturers, which collectively accounted for 83 percent of Japanese exports of spun acrylic yarn to the United States during that year. All the sales examined were at less than fair value, with margins ranging from 0.50 to 58.21 percent and a weighted average margin of 23.19 percent (C.R., pp. A-5-6).

The administering authority's investigation of exports of spun acrylic plied yarn from Italy covered the period January 1 through June 30, 1979. It limited its investigation to four firms, three of which refused to supply information. On the basis of limited available data, it determined an LTFV margin of 48.05 percent on export sales from Italy to the United States (C.R., p. A-7).

Material injury by reason of LTFV imports

During the period 1977-79, the U.S. market for spun acrylic plied yarn for machine knitting went through two stages. First, in 1977 and 1978, the period of highest import penetration, apparent consumption remained relatively constant, while the economic health of the industry started to manifest clear signs of deterioration. The Commission found that the impact of imports from Japan and Italy on U.S. spinners was further exacerbated in the second stage (1979), when consumer demand fell. One factor remained constant throughout the period--the suppressing influence of Japanese and Italian yarn on U.S. spinners' prices, and, thus, on their overall operations.

The industry under examination is highly price sensitive. Evidence has been developed that shows that domestic spinners' prices were suppressed by LTFV imports from Japan and Italy during the period under review, causing steady deterioration in the overall profitability of the U.S. industry. Other economic indicators also registered serious declines, such as production and shipments, utilization of capacity, and employment. Additionally, five firms were forced to cease operations; four of them cited low-priced imports from Japan and Italy as the principal reason for their termination of production of the subject yarn (C.R., pp. A-8-9).

At the Commission's hearing, domestic spinners reported losing sales for less than 2 cents a pound, or less than 1 percent of the cost of a pound of yarn. If U.S. spinners' prices for branded yarn were reduced by the 5- to 10-cent rebate sometimes accorded to knitter customers, such prices would have been competitive with those of U.S. spinners' unbranded yarn and comparable yarn imported from Japan and Italy (C.R., pp. A-22-26). 1/ Without the substantial LTFV margins, imports from both Japan and Italy would have sold at much higher prices and would not have been competitive with U.S.-produced yarn. Under such circumstances, significant sales of the imported product from Japan and Italy would not have been made. Throughout 1977 and 1978, U.S. spinners' prices did not keep pace with inflationary increases in costs (C.R. p. A-17).

During 1977 and 1978, aggregate imports from Japan and Italy accounted for 16 percent of apparent consumption (C.R., p. A-22). The sustained presence of this significant volume of low-priced imports suppressed not only U.S. spinners' prices, but every other aspect of their operations as well. Profit for reporting firms declined from $4.4 million in 1977 to $2.8 million in 1978, the ratio of net operating profit to net sales declined from 6.3 percent to 4.0 percent, and other areas of financial performance such as cash flow from operations and investment in productive facilities followed the same trend (C.R., pp. A-16-20). 2/ Production and shipments also declined, with shipments decreasing from 65 million pounds in 1977 to 53 million pounds in 1978, or by 19 percent (C.R., p. A-10). Utilization of capacity fell from 85.4 percent to 71.1 percent, substantially below an optimum capacity utilization level of 90 percent (C.R., p. A-11). Employment declined 4 percent, man-hours dropped 10 percent, and output per employee also decreased (C.R., pp. A-14-15). Inventories reached their highest level in 1978 (C.R., p. A-11).

1/ At the Commission's hearing, the average selling price for U.S. producers' yarn was reported to be considerably above the weighted average lowest net selling prices presented in the staff report.

2/ Declines in profitability are understated in view of the absence of data for firms that left the industry.

Although imports from Japan and Italy declined in 1979 and accounted for low levels of import penetration, their impact from 1977 and 1978 was still sharply felt by U.S. spinners, which were occupied with trying to liquidate inventories in a period of relatively low consumer demand (C.R., p. A-22). By 1979, Japanese and Italian yarn became relatively scarce in the U.S. marketplace, and U.S. spinners' prices began to rise, despite low consumer demand. Such price increases, however, were too late to spare the domestic industry further deterioration (C.R., p. A-24).

Net operating profit declined 80 percent from January-September 1978 to the corresponding period of 1979. The ratio of net operating profit to net sales fell from 5.8 percent to 1.2 percent, while cash flow from operations and investment in productive facilities dropped severely (C.R., pp. A-16-20). Shipments declined 23 percent. Capacity declined 27 percent, largely by reason of plant shutdowns as capacity utilization decreased from 76.4 percent to 75.3 percent (C.R., pp. A-10-11). Employment dropped 17 percent, and man-hours and output per worker followed the same trend. Workers from one domestic firm that left the industry in early 1979 were granted adjustment assistance by the Department of Labor (C.R., pp. A-14-15).

There is evidence of sales lost to imports from Japan and Italy during the period under review. Twelve firms stated that the principal reason for purchase of the Japanese product in lieu of the domestic product was lower price. Two firms verified that the imported Italian yarn had been chosen over the domestic product. One firm cited lower price as its principal reason, while the other coupled lower price with availability. Further, major knitting purchasers of both U.S. and imported yarn offered lower prices as their principal reason for purchasing the Japanese and Italian yarn over the domestic product (C.R., pp. A-26-28).

On the basis of the foregoing considerations, we have determined that an industry in the United States is being materially injured by reason of imports of LTFV spun acrylic yarn from Japan and Italy.

Blank Page

VIEWS OF COMMISSIONERS PAULA STERN AND MICHAEL J. CALHOUN

On the basis of the record developed in these investigations, we have determined that an industry in the United States is materially injured 1/ by reason of imports of spun acrylic yarn from Japan and from Italy sold at less than fair value. 2/

In these investigations, we consider the relevant domestic industry to consist of the facilities in the United States used in the production of spun acrylic plied yarn for machine knitting. Made from acrylic fiber, this yarn is used primarily in the manufacture of sweaters, headwear, gloves, scarves, and socks. 3/ There are currently nine producers, hereinafter referred to as spinners, with manufacturing facilities concentrated in North and South Carolina. 4/

1/ Arguments were made for an affirmative finding of threat of material injury. However, having made our finding of present material injury, we did not find it necessary to reach the issue of threat.

2/ The Administering Authority's investigation of less-than-fair-value sales covered exports of spun acrylic plied yarn from Japan between January 1 and December 31, 1978. The investigation was limited to sales of three Japanese manufacturers which collectively accounted for 83 percent of Japanese exports of spun acrylic yarn to the United States during that year. All of the sales examined were at less than fair value, with margins ranging from 0.50 to 58.21 percent, and a weighted average margin of 23.19 percent.

The Administering Authority's investigation of U.S. imports of spun acrylic plied yarn from Italy covered the period January 1 through June 30, 1979. The Administering Authority limited its investigation to four firms, only one of which supplied information and, on the basis of limited available data, determined a LTFV margin of 48.05 percent on export sales from Italy to the United States.

3/ *See* Commission Report, Inv. Nos. 731-TA-1 and 2, p. A-3.

4/ *Ibid.*, p. A-8.

DISCUSSION

The law gives the Commission discretion in making its determination because no single checklist can work for all cases to determine the exact degree of injury experienced by an industry nor to ascertain the existence of a definitive causal link between imports and material injury. The Trade Agreements Act of 1979 does provide guidance for assessing the impact of LTFV imports for a given industry:

> the Commission shall consider, among other factors --
>
> (1) the volume of imports,
> (2) the effect of imports on prices in the United States, and
> (3) the impact of imports on domestic producers. 5/

The Act goes on to provide that in considering the impact on the affected industry:

> the Commission shall evaluate all relevant economic factors which have a bearing on the state of the industry, including but not limited to --
>
> (1) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,
> (2) factors affecting domestic prices, and
> (3) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment. 6/

In analyzing the information offered during our investigation, this case presented us with some difficulty because the question of the causal relationship between the LTFV imports and material injury to the domestic industry is an especially close one. The record developed in this case establishes a sound basis for the conclusion that the negative impact of LTFV imports of Japanese and of Italian spun acrylic plied yarn has not been inconsequential.

5/ Tariff Act of 1930, as amended by Trade Agreements Act of 1979, Section 771 (19 U.S.C. 1677(7)).

6/ Tariff Act of 1930, as amended by Trade Agreement Act of 1979, Section 771 (19 U.S.C. 1677(7)).

In reaching this conclusion, we are first of all confronted with an industry that, as a general matter, has been experiencing some difficulty, perhaps making the industry particularly vulnerable to the injury from LTFV sales. 7/ During the period from 1977 to September 1979, the industry witnessed significant declines in production, shipments, capacity, capacity utilization, employment and profitability. Additionally, cash flow declined and the ratio of net operating profits to average investment in productive facilities declined. In 1978 and early 1979, five of the fourteen spinners ceased production of acrylic yarn altogether, four of which cited low priced imports from Japan and from Italy as the principal reason for their departure. 8/

More specifically, we note that, during the period 1977-78, profits for firms which responded to the Commission questionnaire declined from $4.4 million in 1977 to $2.8 million in 1978, and the ratio of net operating profits to net sales declined from 6.3 percent to 4.0 percent. 9/ Production and shipments followed parallel trends with a 19 percent decline in shipments from 65 million pounds in 1977 to 53 million pounds in 1978. 10/ Utilization of capacity fell from 85.4 percent to 71.1 percent, substantially below the optimum capacity utilization

---

7/ We take note of the views of the Committee on Ways and Means in this matter:

> The law does not, however, contemplate that injury from such [LTFV] imports will be weighed against other factors . . . which may be contributing to overall injury to an industry. Any such requirement has the undesirable result of making relief more difficult to obtain for these industries facing difficulties from a variety of sources, precisely those industries that are most vulnerable to subsidized or dumped imports [emphasis added]. H.R. Rep. No. 96-317, 96th Cong., Sess. 1 [1979], p. 47.

See also the report of the Committee on Finance, S. Rep. 96-249, 96th Cong., Sess. 1 [1979], p. 88.

8/ *See* Commission Report, Inv. Nos. 731-TA-1 and 2, pp. A-8-9.

9/ *See* Commission Report, Inv. Nos. 731-TA-1 and 2, pp. A-16-17.

10/ *Ibid*., pp. A-9-10.

level of about 90 percent. 11/ Employment declined 4 percent and man-hours dropped 10 percent, while output per employee also decreased. 12/ Inventories reached their highest level of the period in 1978. 13/

In January-September 1979, compared to the corresponding period of 1978, net operating profits declined 80 percent, the ratio of net operating profits to net sales fell from 5.8 percent to 1.2 percent, while cash flow from operations and investment in productive facilities dropped severely. 14/ Shipments declined 20 percent. 15/ Capacity declined 27 percent, largely because of plant shutdowns; capacity utilization dipped from 76.4 percent to 75.3 percent. 16/ Employment dropped 17 percent, while man-hours and output per worker followed the same trend. Workers from one domestic firm that exited the industry in early 1979 were granted adjustment assistance by the Department of Labor. 17/

Against this rather poor state of the domestic industry, information on the record regarding price and lost sales is nonetheless compelling in reaching the conclusion that the LFTV sales, under consideration here, caused material injury to the domestic industry. This adverse impact seems largely to have been achieved through influence on price.

Because spun acrylic plied yarn is basically a fungible product, it is extremely price sensitive. Indeed, price appears to be the chief factor of competition in the industry. 18/ The record contains uncontroverted testimony that domestic sales have been lost to imports for as small a difference in price as two cents per pound, or less than one percent of the cost of a pound of yarn. 19/

11/ See Commission Report, Inv. Nos. 731-TA-1 and 2, p. 11.
12/ Ibid., pp. A-14-15.
13/ Ibid., p. A-11.
14/ Ibid., pp. A-16-20.
15/ Ibid., p. A-10.
16/ Ibid., pp. A-10-11.
17/ Ibid., pp. A-14-15.
18/ Ibid., p. A-22 et seq.
19/ See Transcript of Hearing, p. 90.

Moreover, the record reveals clear examples of underselling of the subject imports, and the margins of dumping more than adequately account for these differentials.[20]

The impact of these LTFV imports on the pricing strategies of the domestic industry is a most important consideration. During the period of importation, the cost of domestic production was increasing,[21] yet prices of spun acrylic plied yarn were relatively stagnant during most of the period from 1976 through 1978. [22] To exacerbate this circumstance, in 1977 imports of LTFV yarn from Japan surged. In 1978, while Japanese imports relaxed somewhat, LTFV imports from Italy surged. These surges occurred over a period when not only were costs to the domestic industry increasing but domestic demand, at least in 1978 and 1979, was in decline. [23]

The Commission investigation also produced clear information on lost sales. For the period January 1976-September 1979, five domestic spinners supplied information on specific lost sales to customers who had allegedly purchased spun acrylic yarn from Japan or Italy in lieu of U.S. produced yearn. With respect to imports from Japan, U.S. spinners alleged that sales of spun acrylic yarn totalling 5.1 million pounds were lost at 24 different firms. Twelve of these firms confirmed that the Japanese yarn was chosen over the domestic product. Two other firms did not supply the Commission with any information. The principal reason for purchase given by the twelve firms verified to have chosen spun acrylic yarn from Japan in lieu of the domestic product was lower price.

---

[20] See Commission Report, Inv. Nos. 731-TA-1 and 2, p. A-24, Table 11.

[21] *Ibid*., p. A-17, Table 6.

[22] *Ibid*., p. A-24, Table 11.

[23] *Ibid*., p. A-13 *et seq*. See also discussion *infra* at p. 14 and 15, regarding timing.

With respect to imports from Italy, U.S. spinners alleged that sales totalling 1.4 million pounds were lost at five different firms. Two of these confirmed that yarn from Italy had been chosen because of lower price. One also cited better availability 24/ of the Italian yarn. While information on lost sales is normally difficult to obtain and actual occurrences are difficult for the Commission to verify, such instances, when confirmed, can be symptomatic of broader practice.

It is important to remember that although the Commission is to consider all the factors as to material injury and causation in relation to the specific industry involved, some factors, owing to the peculiarities of one industry, are more important than others. The Senate Finance Committee has anticipated just such a circumstance:

> For one industry, an apparently small volume of imports may have a significant impact on the market; for another, the same volume might not be significant. 25/

In this case, for example, the volume of imports from Italy was small, but the impact was injurious. The fluctuations of demand were such in this case that the small volume of imports from Italy led to price suppression and lost sales as a result of the large dumping margins.

An important link between the imports from Japan and from Italy and the injury to the domestic industry is seen in their apparent relationship in time.

24/ See Commission Report, Inv. Nos. 731-TA-1 and 2, p. A-26 et seq.
25/ S. Rep. No. 96-249, 96th Cong., Sess. 1 (1979), p. 88.

There is a strong indication that the injury from these imports to U.S. spinners flowed from the surge of imports from Japan and from Italy, but was subsequent in time. We see less than fair value imports from each of these countries taking a market share in 1977 and 1978 as demand in the market began to drop and producers were left trying to liquidate high inventory levels of the U.S., Japanese, and Italian yarn. 26/

As a final matter in making this determination that material injury to the industry is by reason of LTFV imports, the Commission must consider other factors which may demonstrate that the imports in question were not a cause. The House Ways and Means Committee has observed:

> Of course, in examining the overall injury being experienced by domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors. 27/

The quantity of sweater imports is one such factor we considered because of the role it plays in determining the amount of spun acrylic plied yarn sold to domestic sweater producers. Imports of manmade fiber sweaters increased as a percentage of total market share in the 1960's and early 1970's, but remained

---

26/ See Commission Report, Inv. Nos. 731-TA-1 and 2, p. A-22.
27/ H.R. Rep. No. 96-317, 96th Cong. Sess. 1, (1979), p. 47.

relatively constant during the period of the investigation. 28/ Thus, any injury caused to domestic producers of spun acrylic plied yarn by increasing imports of manmade fiber sweaters preceded the period of the Commission's review.

Another factor the Commission considered in this case was imports from countries other than Japan and Italy. In 1977, when the ratio of all imports of spun acrylic plied yarn to domestic consumption was 19 percent, the LTFV imports from Japan accounted for 78 percent of all imports, while those from Italy came on stream in the U.S. marketplace and quickly accounted for 5 percent of all imports. In 1978 when total imports increased to 31 percent of apparent consumption, the LTFV imports from Japan accounted for 38 percent of the total, and those from Italy rose to 13 percent of all imports. In the period January-September 1979, overall imports and the LTFV imports from Japan and from Italy were declining. However, during this period, spinners were liquidating domestically produced and imported yarn. The large percentage of total imports accounted for by LTFV imports from Japan and from Italy cannot be discounted as a source of material injury.

CONCLUSION

Facts in this investigation indicate a definite link between LTFV imports and the material injury to the domestic industry. These facts form the basis for our determinations that the domestic industry is materially injured by reason of the LTFV imports from Japan and from Italy.

We make this determination mindful of comments made by the House Ways and Means Committee:

28/ See Commission Report, Inv. Nos. 731-TA-1 and 2., p. A-7 and A-29.

In short, the Committee does not view overall injury caused by unfair competition, such as dumping, to require as strong a causation link to unfairly competitive imports as would be required for determining the existence of injury under fair trade conditions. 29/

29/ H.R. Rept. No. 96-317, 96th Cong., Sess. 1, (1979), p. 47.

Blank Page

VIEWS OF VICE CHAIRMAN BILL ALBERGER

In order for the Commission to reach an affirmative determination in these investigations, pursuant to Section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)), it is necessary to find that an industry in the United States is materially injured, or is threatened with material injury or that the establishment of an industry in the U.S. is materially retarded by reason of imports of spun acrylic plied yarn from Japan and/or from Italy, which have been found to be sold at less than fair value (LTFV) [1] by the Administering Authority, which was the Department of the Treasury (Treasury).

DISCUSSION

The appropriate domestic industry against which the impact of Japanese and Italian LTFV imports should be measured is the nine producers (spinners) of spun acrylic plied yarn for machine knitting. Made from acrylic fiber, this yarn is used primarily in the manufacture of sweaters, headwear, gloves, scarves, and socks.

During the past four years this industry has experienced some serious problems. Five firms have ceased production, four of them citing low-priced imports from Japan and/or Italy as the principal reason. Prices have not increased sufficiently to keep pace with rising costs of production. Profits have declined significantly. Employment has dropped, production has declined, as has investment and cash flow.

---

[1] The Department of Treasury investigation of less than fair value sales covered exports of spun acrylic plied yarn from Japan between January 1 and December 31, 1978. All of the sales examined by Treasury were at less than fair value, with margins ranging from 0.50% to 58.21%, and a weighted average margin of 23.19%. Treasury's investigation of imports of the yarn from Italy covered the period January 1 through June 30, 1979. On the basis of limited available data, Treasury found a margin of 48.05% on export sales from Italy to the United States.

It is clear that demand has dropped in the last two years, but it is also apparent that the problems the industry is encountering are related to imports from both Japan and Italy. [1] Imports from Japan were highest in 1977 and in the first three quarters of 1978. Imports from Italy were highest in 1978, throughout the year. Prices of imports from both Japan and Italy were at or lower than the lowest domestic yarn prices. It appears to be more than coincidence that domestic prices remained relatively constant until 1979 when imports from Japan virtually ceased and imports from Italy did likewise six months later. [2] In 1979, domestic prices increased, but with demand dropping sharply, were still not catching up to rising costs. With evidence that sales are lost for less than one percent of the cost of a pound of yarn, it is clear that this is a highly price-sensitive industry.

The declines in production, shipments, employment, capacity utilization and profits seem to follow closely the increases and continued high level of imports from Japan in 1977 and 1978, and the increasing level of imports from Italy in 1978. Specific examples of lost sales appear symptomatic of the difficulty encountered by domestic producers in meeting lower priced imports sold at LTFV. Additionally, major knitting purchasers of both U.S. and imported spun acrylic plied yarn indicated in response to a Commission questionnaire that lower price was the principal reason for the purchase of Japanese and/or Italian yarn over the domestic product. Without the substantial LTFV margins, imports from both Japan and Italy would not have been price competitive in the U.S. market. The level of inventories held by domestic producers peaked at the end of 1978 at the end of the quarter when imports from Italy peaked, and thus, 1979 production was even lower while inventories were sold off first. The sustained high level of imports from Japan in 1977 and 1978 and the increasing level of imports from Italy in 1978 played a key role in the material injury experienced by this industry.

---

[1] The House Committee on Ways and Means Report on the Trade Agreements Act of 1979 states at p. 47:

> The law does not, however, contemplate that injury from such (LTFV) imports will be weighed against other factors . . . which may be contributing to overall injury to an industry. Any such requirement has the undesirable result of making relief more difficult to obtain for these industries facing difficulties from a variety of sources, precisely those industries that are most vulnerable to subsidized or dumped imports. (emphasis added) Committee Report on H.R. 4537, p. 47. See also Senate Finance Committee Report on the same bill, p. 88.

[2] The original petitions (complaints) in these investigations were filed with Treasury on November 22, 1978 (Japan) and May 21, 1979 (Italy). Often imports will decrease after the filing of the complaint. A critical period for the assessment of impact of LTFV sales is the period of analysis of those sales by the Administering Authority. In the case of Japan, 1978 was the critical period. For Italy, the first six months of 1979 was the period of analysis of sales.

Findings of Fact

Section 771(7)(B) of the Tariff Act of 1930 requires the Commission to consider (i) the volume of the subject imports, (ii) their effect on the domestic price of the like product, and (iii) their impact on domestic producers of the like product. In Section 771(7)(C), the Act further specifies a series of economic factors the Commission must include in these considerations. The following are my findings of fact:

A. Volume of imports

(1) Imports from Japan rose from 3.5 million pounds in 1976 to a high of 12.1 million pounds in 1977. In 1978, Japanese imports amounted to 8.8 million pounds before dropping to 225,000 pounds in the first three-quarters of 1979. The latter figure compares with 8.4 million pounds in the first nine months of 1978. (Report at A-12; Table 3).

(2) Imports from Italy increased from 746,000 pounds in 1977 to 2.9 million pounds in 1978 and declined to 896,000 pounds for January-September 1979. During January-September 1978, 1.95 million pounds were imported, with nearly 1 million pounds being imported in the final quarter. (Report at A-12; Table 3).

(3) Imports from Japan accounted for 5 percent of U.S. consumption in 1976, 15 percent in 1977, and 12 percent in 1978. They declined to 1 percent of consumption in January-September 1979. (Report at A-21, 22; Table 10).

(4) Imports from Italy climbed from 1 percent of consumption in 1977 to 4 percent in 1978 before dropping to 2 percent of U.S. consumption in the first three-quarters of 1979. (Report at A-22; Table 10).

B. Effect of imports on U.S. prices

(5) Generally, from 1976 through 1978, prices of both Japanese and Italian spun acrylic yarn were as low or lower than those of the domestic product. When import prices were lower, the price difference was less than the average dumping margins found by Treasury. (Report at 24, Table 11)

(6) Price increases by domestic producers of spun acrylic yarn were limited from 1976 through 1978, the years of the highest import penetration by Japanese and Italian imports. In 1979, when Japan and Italy sharply reduced their imports, prices by domestic producers moved quickly upward. (Report at A-24; Table 11)

(7) Spun acrylic yarn is highly price sensitive with sales being lost for as little as 2 cents a pound at less than 1 percent of the cost of a pound of yarn (Transcript p. 90).

(8) Price indexes show limited price increases for acrylic yarn from 1976 through 1979. These increases are substantially less than those experienced by the textile industry as a whole (Supplemental document from Acting Director of Investigations, OP2-D-040, February 28, 1980).

(9) Of those firms alleged by petitioners to be lost sales, twelve firms reported they had purchased Japanese yarn over the domestic product and 2 indicated they had chosen the Italian product specifically for reasons of price. In the majority of cases, questionnaire responses received from major purchasers of both U.S. and imported yarn listed price as the chief reason for purchases of Japanese and Italian yarn.

C. Impact on the affected industry

(10) Domestic production rose from 61.7 million pounds in 1976 to 64.3 million pounds in 1977, before dropping to 53.2 million pounds in 1978 and 31.9 million pounds in the first three-quarters of 1979. January-September 1979 production was 26 percent lower than in the comparable period in 1978. (Report at A-9)

(11) Shipments by U.S. producers paralleled the pattern exhibited by production from 1976 through January-September 1979. Shipments rose from 61.4 million pounds in 1976 to 64.9 million pounds in 1977 then dropped to 52.9 and 34.7 million pounds for 1978 and January-September 1979, respectively. The latter figure is 20 percent less than in the comparable period of 1978. (Report at A-10)

(12) Consumption of spun acrylic yarn grew from 68 million pounds in 1976 to 81 million pounds in 1977. Consumption then dropped 5 percent to 76 million pounds in 1978 and declined another 36 percent to 41 million pounds in January-September 1979. (Report at A-13, 14)

(13) Imports from Japan represented 5 percent of consumption in 1976, before climbing to 15 percent in 1977. This figure declined to 12 percent in 1978 and 1 percent for January-September 1979. Italian imports accounted for 1 percent of U.S. consumption in 1977, 4 percent in 1978, and 2 percent for the first three-quarters of 1979. (Report at A-21, 22; Table 10)

(14) Net operating profits for four firms accounting for 59 percent of U.S. production increased from $945,000 in 1976 to $4.4 million in 1977. Nineteen seventy-eight profits dropped to $2.8 million and further declined to $613,000 for the first three-quarters of 1979. (Report at A-16, 17; Table 6)

(15) Productivity of workers producing spun acrylic yarn rose from 14.6 pounds per person-year-worked in 1976 to 15.2 pounds in 1977, then dropped to 13.0 pounds in 1978 and 9.4 pounds for January-September 1979. (Report at A-9, 15; Table 4)

(16) Domestic producers return on investment as measured by net operating profit before income taxes as a percentage of net assets (book value), rose from 9.0 in 1976 to 40.4 in 1977, before dropping to 24.0 in 1978. January-September 1979 figures were 5.9 compared to 25.7 for the same period in 1978. (Report at A-20; Table 9).

(17) Capacity utilization for U.S. producers moved upward from 79.5 percent in 1976 to 85.4 percent in 1977 and dropped to 71.1 percent in 1978. The 75.3 percent rate of capacity utilization for the first three-quarters of 1979 is slightly lower than the figure for the comparable period of 1978. (Report at A-11)

(18) Cash flow (net operating profit plus depreciation) from four reporting firms increased from $2.9 million in 1976 to $6.4 million in 1977. Case flow in 1978 declined to $4.8 million and dropped further to $2.3 million for January-September 1979. (Report at A-19; Table 8)

(19) Inventories held by U.S. producers dropped from 5.6 million pounds in 1976 to 5.1 million pounds in 1977, before peaking at 7.8 million pounds in 1978. January-September 1979 inventories were 3.6 million, compared to 7.3 million pounds for the first three-quarters of 1978. (Report at A-11; Table 2)

(20) The number of production and related workers producing spun acrylic yarn increased very slightly from 4,226 in 1976 to 4,243 in 1977, before dropping to 4,085 in 1978. Employment for January-September 1979 fell to 3,385, a 17 percent drop from the same period of 1978. The number of hours worked by production and related workers followed the same trend. (Report at A-14, 15; Table 4 and 5)

(21) Research and development expenditures increased from $183,000 in 1976 to $260,000 in 1978. Almost all of this increase is due to the investment of one firm. (Report at A-21)

(22) Return on investment, as measured by the ratio of net operating profit to the average cost of investment in productive facilities, increased from 6.3 percent in 1976 to 28.8 percent in 1977, before declining to 17.1 percent in 1978. The January-September 1979 ratio ran at 3.8 percent. (Report at A-20; Table 9)

(23) Since 1976, five U.S. firms have ceased production of spun acrylic yarn. All but one firm cited increased in low-priced imports from Japan as a principal reason for their action; with those leaving the market after 1977 adding imports from Italy as another reason for the cessation of production. (Report at A-8, 9)

CONCLUSIONS OF LAW

A. I determine that the domestic industry is materially injured by reason of imports of spun acrylic plied yarn from Japan.

B. I determine that the domestic industry is materially injured by reason of imports of spun acrylic plied yarn from Italy.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On October 22 and December 17, 1979, the United States International Trade Commission received advice from the Department of the Treasury that spun acrylic yarn provided for in item 310.50 of the Tariff Schedules of the United States (TSUS) from Japan and Italy, respectively, is being, or is likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). 1/ Accordingly, on November 19 and December 27, 1979, the Commission instituted investigation Nos. AA1921-212 and AA1921-214, respectively, under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise from Japan and/or Italy into the United States. The statute directed that the Commission make its determination within 3 months of its receipt of advice from Treasury--in this case, by January 22 (investigation No. AA1921-212) and March 17, 1980 (investigation No. AA1921-214). The Antidumping Act, 1921, however, was repealed on January 1, 1980, by the Trade Agreements Act of 1979 (P.L. 96-39, 93 Stat. 144, July 26, 1979). Under Section 102 of that act, the Commission was required to terminate antidumping investigations in progress on January 1, 1980, and reinstitute them under subtitle B of title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979. Accordingly, on January 1, 1980, investigation Nos. AA1921-212 and AA1921-214 were terminated, and new investigations (Nos. 731-TA-1 (final), Spun Acrylic Yarn from Japan, and 731-TA-2 (final) Spun Acrylic Yarn from Italy were instituted under the provisions of section 731 of the Tariff Act of 1930. The act requires the new investigations to be completed within 75 days after January 1, 1980.

The Commission must now determine whether an industry in the United States is materially injured, is threatened with material injury, or whether the establishment of an industry in the United States is materially retarded because of the importation of articles determined by the Department of Treasury to have been sold in the United States at LTFV.

In connection with the investigations, a public hearing was held on Tuesday, January 22, 1980, in Washington, D.C. Notices of the institution of the investigations and of the hearing were duly given by posting copies thereof at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and by publication in the Federal Register of November 28, 1979 (44 F.R. 68040-1) and January 3, 1980 (45 F.R. 858-9). Notice of the termination of investigation Nos. AA1921-212 and AA1921-214 and of the institution of investigation Nos. 731-TA-1 (final) and 731-TA-2 (final) was published in the Federal Register of January 17, 1980 (45 F.R. 3403). 2/

1/ Copies of Treasury's letters are shown in app. A.
2/ Copies of the Commission's notices are presented in app. B.

[redacted]

The complaint which led to Treasury's determination of LTFV sales from Japan was filed on November 22, 1978, by counsel acting on behalf of the American Yarn Spinners Association (AYSA), Gastonia, N.C. 1/ Treasury's notice of its antidumping proceeding was published in the Federal Register of January 4, 1979 (44 F.R. 1238-9), its notice of withholding of appraisement was published in the Federal Register of July 13, 1979 (44 F.R. 41004-5), and its notice of its determination of sales at less than fair value was published in the Federal Register of October 25, 1979 (44 F.R. 61492-3). 2/

A second petition was filed on May 21, 1979, by counsel representing AYSA, which led to Treasury's determination of LTFV sales from Italy. Treasury's notice of its antidumping proceeding was published in the Federal Register of July 2, 1979 (44 F.R. 38696), and its notices of its withholding of appraisement and determination of sales at less than fair value were published in the Federal Register of December 20, 1979 (44 F.R. 75547). 3/

1/ AYSA's petition is supported by all its members engaged in the production of the subject yarn as well as by the Man-Made Fiber Producers Association, the trade association of domestic producers of the acrylic fiber used in the yarn, and by the Amalgamated Clothing and Textile Workers Union, AFL-CIO, which represents employees in the yarn industry.

2/ Copies of Treasury's notices of its antidumping proceeding, withholding of appraisement, and determination of sales at LTFV on imports from Japan are presented in app. C.

3/ Copies of Treasury's notices of its antidumping proceeding, and withholding of appraisement and determination of sales at LTFV on imports from Italy are presented in app. D.

[redacted]

The Product

Description and uses

The product of concern in this investigation is spun plied yarn of acrylic primarily for machine knitting. Such yarn is produced from acrylic fiber 1/ and is used principally in the manufacture of sweaters, headwear, gloves, scarves, and certain hosiery. The imported articles of concern in this investigation do not include craft yarn, which is sold in retail stores for hand knitting or crocheting.

Production processes

Spun acrylic yarn is produced from acrylic fiber, a manmade fiber which imparts several desirable properties to the fabric or garment manufactured therefrom, as shown in the following tabulation:

Acrylic fiber property	Property imparted to fabric or garment
Low-density polymer	Lightweight
High bulk factor	Good insulator/warm
Low-bending modulus	Soft, aesthetically pleasing
Transports moisture ("wicking")	Comfortable/not clammy, dries quickly
Dyes with cationic dyes	Bright colors at low cost

Acrylic fibers are composed primarily of acrylonitrile, a chemical compound synthesized from the reaction of propylene, a petroleum gas, with ammonia. In the fiber production process, a solution of acrylonitrile polymer is extruded through fine holes in a spinneret, a device similar to a shower head. After the solvent is removed, the individual filaments are gathered together into groups which resemble large untwisted rope. The "rope," commonly known as tow, is frequently sold to yarn-spinning companies. The tow may also be cut by the fiber producer into various lengths, known as staple, and sold to the same companies for processing on equipment which was originally designed to process natural fibers.

1/ Yarns made from blends of acrylic and other fibers, but chiefly of acrylic, are also included in the investigation; however, production of such yarn is very small.

Spun acrylic plied yarn can be made from these acrylic fibers by several methods, the most common of which is the worsted system. Others include the cotton system and the woolen system. 1/ In the worsted system, tow is processed through Turbo Staplers or Seydel Stretch Break machines, which break the tow into 3-to-6-inch parallel lengths called sliver, and impart a high fiber-shrinkage property. Slivers can also be made from staple (cut-up tow) through a worsted card, a process in which random fibers are reoriented to make a sliver of parallel fibers, which results in regular shrinkage properties. Fibers of both high- and low-shrinkage properties are then combined into a larger properly sized sliver, which results in a "high bulk" quality in the final yarn. This "doubled sliver" is then placed on pin drafters or machines which "comb" the fibers into a highly parallel form, reduce the diameter or weight of the sliver, and remove any short fibers or contamination. Pin drafting is repeated several times to attenuate the sliver and improve its uniformity. The final pin-drafted sliver is then placed on a roving machine for further drafting or thinning and a low degree of twist.

Roving, the name given to this intermediate product, is then fed to a spinning frame, which drafts it to the desired final size, inserts twists, and winds single strands of yarn, called singles yarn, onto a bobbin. The yarn is transferred from the spinning bobbin and wound onto a cardboard cone or package for plying. The cones of singles acrylic yarn are then fed to a ply twister, which plies the singles yarn by twisting in the direction opposite that imposed during spinning in order to impart certain advantageous characteristics to the resultant yarn.

Worsted spun acrylic plied yarn is identified by worsted counts. This yarn-numbering system is based on the number of singles yarns plied together, and the number of 560-yard lengths (hanks) in a pound of yarn. For example, a 2/24 yarn consists of 2 singles yarns plied together, each of which has 24 560-yard hanks per pound. The yarns under investigation consist almost entirely of two-ply yarns.

U.S. customs treatment

Imported spun acrylic plied yarn is dutiable under the provisions of item 310.50 of the Tariff Schedules of the United States (TSUS). The current most-favored-nation (MFN) rate of duty, in effect since 1972, is 3 cents per pound plus 12.5 percent ad valorem. The statutory rate for the same item is 61.5 percent ad valorem. Spun acrylic plied yarn is not eligible for duty-free treatment under the Generalized System of Preferences.

The MFN duty rate for spun acrylic plied yarn was reduced at the Multilateral Trade Negotiations, which were concluded in 1979. The ad valorem equivalent of the rate of duty, for purposes of the negotiations, based on

---

1/ As noted at the Commission's hearing, the mid-fiber system is another process by which spun acrylic plied yarn is produced (transcript of the hearing, p. 131). According to industry sources, relatively little of the subject yarn was produced by the mid-fiber, cotton and woolen systems during the period covered by the Commission's investigation. Use of the mid-fiber and cotton systems reportedly increased in the latter half of 1979.

1976 trade, was 16.3 percent. 1/ The reduction will phase out the specific component of the rate (3 cents per pound) in stages and ultimately reduce it to an ad valorem rate of 12 percent in 1987. The staged rate reductions are shown in the following tabulation:

Effective date	Rate of duty
Jan. 1, 1980	3¢ per lb. + 12.5% ad val.
Jan. 1, 1981	3¢ per lb. + 12.5% ad val.
Jan. 1, 1982	2.5¢ per lb. + 12.4% ad val.
Jan. 1, 1983	2¢ per lb. + 12.3% ad val.
Jan. 1, 1984	1.5¢ per lb. + 12.3% ad val.
Jan. 1, 1985	1¢ per lb. + 12.2% ad val.
Jan. 1, 1986	0.5¢ per lb. + 12.1% ad val.
Jan. 1, 1987	12% ad val.

The statutory rate of duty for item 310.50 was not reduced by the negotiations.

The United States is a party to the Arrangement Regarding International Trade in Textiles, commonly known as the Multifiber Arrangement (MFA). The MFA provides procedures for establishing limitations on imports of most textile and apparel articles of cotton, wool, and manmade fibers. The United States presently has a 3-year agreement with Japan under the terms of the MFA covering the period from January 1, 1979, through December 31, 1981. 2/ The agreement provides for consultations when the United States considers that imports of a particular category of textiles from Japan "are increasing so as to cause a real risk of market disruption . . ." Under these procedures, the two countries meet and "work out a mutually satisfactory solution to such problems as may exist with the category or categories affected." As a result of consultations, Japan agreed to limit exports of spun acrylic plied yarns to the United States to 7.8 million pounds for 1979, but has not yet reached a formal agreement pertaining to such trade restrictions in 1980. If the condition of risk persists, the consultation procedure could be resorted to again. If consultations do not result in "a mutually satisfactory solution," the United States can unilaterally request a restriction based on a formula prescribed in the agreement.

Nature and Extent of LTFV Sales

Japan

Treasury's investigation of U.S. imports of spun acrylic plied yarn from Japan covered the 12-month period from January 1, 1978, through December 31,

---

1/ See USITC publication 896, "Conversion of Specific and Compound Rates of Duty to Ad Valorem Rates," July 1978.

2/ No such agreement currently exists with Italy.

[redacted]

1978; 1/ appraisement was withheld for a 6-month period beginning July 13, 1979. The investigation was limited to sales of three Japanese manufacturers, Asahi Chemical Industry Co., Ltd. (* * * percent of Japan's sales to the United States market in 1978), Japan Exlan Co., Ltd. (* * * percent of sales), and by Mitsubishi Rayon Co., Ltd. (* * * percent of sales). Together these firms accounted for 83 percent of sales of spun acrylic yarn from Japan to the United States during calendar year 1978. The remaining sales to the United States were by trading companies which controlled the manufacturing process: Mitsui and Co., Ltd. (* * * percent) and Nichimen Co., Ltd. (* * * percent). Other manufacturers or sellers of acrylic fiber and yarn exist but did not export to the United States during Treasury's period of investigation.

Fair-value comparisons were made on 83 percent of sales to the United States. One hundred percent of sales examined were at less than fair value. In making its fair-value comparisons, Treasury used home-market price since sufficient sales were made in Japan, and purchase price since the great bulk of sales for export to the United States were made to nonrelated customers. Purchase price was calculated on the basis of the f.o.b. price to the U.S. customers or the price to unrelated trading companies for export to the United States. Deductions were made for inland freight and shipping expenses, where applicable.

Weighted average margins over the total sales compared for each firm were 29.05 percent for Asahi Kasei, 18.33 percent for Japan Exlan, and 20.26 percent for Mitsubishi Rayon, with an overall weighted average margin of 23.19 percent for these three manufacturers combined. (See following tabulation.) At least 23 percent of each Japanese manufacturer's home-market sales were determined by Treasury to be lower than the cost of production. In the case of Asahi, * * * percent of the sales were below cost; in the case of Japan Exlan and Mitsubishi; * * * and * * * percent, respectively, were below cost. These sales were not included in establishing fair value since there were sufficient sales in the home market priced at not less than the cost of production.

Manufacturer	Net value of sales to U.S. 1978	Net value of sales compared 1978	Net value of sales compared at LTFV	Range of margins	Weighted average margin
				Percent	Percent
Asahi Kasei	***	***	***	6.13-58.21	29.05
Japan Exlan	***	***	***	0.50-41.13	18.33
Mitsubishi Rayon	***	***	***	5.01-49.63	20.26
Total	***	***	***	0.50-58.21	23.19

1/ Treasury usually examines sales made during a 6-month period. The period of examination was extended in this investigation to full year 1978 in light of the limited number of transactions occurring in July-December 1978.

Italy

Treasury's investigation of U.S. imports of spun acrylic plied yarn from Italy covered the period January 1-June 30, 1979. Treasury limited its investigation to four firms--Maglifico Variani S.p.A., Fraver S.p.A., Orlandi Filatura S.p.A, and Zegna Baruffa--however, only one firm (Fraver) provided information. Such information was limited to price data on a single sale of yarn.

Treasury used constructed value and purchase price in its comparison on this one sale since no home-market prices were furnished and the sale was made to an unrelated customer in the United States. Constructed value was based on data furnished by the petitioner, while purchase price was calculated on the basis of the f.o.b. price to the United States importer. A margin was found of 48.05 percent. The withholding of appraisement began December 20, 1979, and expires March 20, 1980.

The U.S. Market

Industry sources indicate that U.S. demand for spun acrylic plied yarn for machine knitting is influenced principally by domestic demand for acrylic sweaters, although such yarn is also used in the manufacture of gloves, headwear, scarves, and certain hosiery. Paralleling the general trend of the production of manmade sweaters, apparent U.S. consumption of spun acrylic plied yarn for machine knitting increased from 68 million pounds in 1976 to 81 million pounds in 1977, and then dropped to 76 million pounds in 1978 (table 1).

Table 1.--U.S. production of manmade sweaters and apparent U.S. consumption of spun acrylic plied yarn for machine knitting, 1976-78

Year	Production of manmade sweaters	Apparent U.S. consumption of spun acrylic plied yarn for machine knitting
	1,000 dozen	1,000 pounds
1976	9,630	68,246
1977	10,748	80,501
1978	1/ 10,205	76,442

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce and from information submitted in response to the questionnaires of the U.S. International Trade Commission.

Channels of distribution

Producers and importers of spun acrylic plied yarn generally sell yarn directly to knitters, which, in turn, ship the subject yarn on a commission basis to independent dye houses. In some instances, domestic producers and importers commission dye the yarn before selling it to knitters. Dyers receive the yarn in natural form, on skeins, dye it, and then wind the yarn on cones for use by knitters. Seven of the fourteen producers that responded to the Commission's questionnaires reported operating their own dyeing facilities.

U.S. producers

Nine firms in the United States currently produce spun acrylic plied yarn for machine knitting. These range from very large and diversified to relatively small companies; manufacturing facilities are located principally in the Carolinas. Of the nine producers, two companies, * * *, and * * *, accounted for the largest shares of U.S. production (* * * percent and * * * percent in 1978, respectively).

In no instance does a producer, hereinafter referred to as a spinner, manufacture the acrylic fiber that is used in the production of the subject yarns. Instead, spinners purchase the raw material from three large fiber producers--Dupont, Monsanto, and American Cyanamid. 1/ Industry sources have indicated that the large bulk of fiber sold to spinners is branded (e.g., "Orlon," "Acrilan," "Creslan," etc.). In contrast, the subject yarn imported from Japan and Italy is sold as unbranded.

Exits from the industry

Since late 1975, six firms have ceased production of spun acrylic plied yarn for machine knitting. Officials from all but one firm cited increases in imports of low-priced spun acrylic plied yarn from Japan as the principal reason for their exit from the industry; officials from all firms exiting after 1977 added as a principal reason increases in imports of low-priced imports from Italy. Some officials coupled such increases in imports of yarn with the rise over the last 10 to 15 years of imports of acrylic sweaters from the Far East. Allegedly, some U.S. sweater producers were unable to compete with these imports and ceased production, thus resulting in a decline in U.S. demand for spun acrylic plied yarn.

Wall Industries (Salamanca) curtailed production of the subject yarn in the last quarter of 1975 by closing its plant in Salamanca, N.Y. * * *. Dixie Yarns, Inc., reported that from January 1976 through September 1978, the firm converted its manufacturing facilities from the production of spun acrylic plied yarns for machine knitting to the production of carpet yarns. The American & Efird Mills, Inc., completed the closing of its Whitnel plant in Lenoir, N.C., in January 1979. While all employees were offered positions in the firm's other plants, less than 25 percent (fewer than 50 workers) were able to relocate to other plant sites. In February 1979, Hardin Manu-

---

1/ On Dec. 4, 1979, the Common Market imposed provisional antidumping duties on acrylic fibers imported from American Cyanamid following a preliminary determination of sales at less than fair value and injury to the domestic industry. The levies are 7.2 percent of the export price for discontinuous acrylic fiber and 26.8 percent for continuous filament tow of acrylic fiber.

[redacted]

facturing Co. exited from the industry, selling some of its machinery to resolve some of the firm's debt. Officials from the firm cited a $375,000 loss during its most recent fiscal year. Officials from Bonte Industries, Inc., reported that their spinning plant in Sumter, S.C. was sold on Sept. 28, 1979, and that production of the subject yarns was terminated in the firm's Laurens, S.C. plant in the same month. That firm's president specifically cited as the major reason for the firm's exit from the industry large amounts of plied acrylic yarns from Japan during 1977 and 1978. This official added that the firm had only one profitable fiscal year, ending March 1977, during the period covered by the Commission's investigation.

U.S. importers

More than 60 firms imported spun acrylic plied yarn for machine knitting during 1978 and 1979. Virtually all imports from Japan were accounted for by nine firms, most of which are large Japanese trading companies with headquarters in New York. Of the nine importers of the Japanese product, three firms--* * *--accounted for * * * percent of the Japanese-made imports. Virtually all imports from Italy are accounted for by * * *.

Consideration of Material Injury or the Threat Thereof

U.S. production

U.S. production of spun acrylic plied yarn, as compiled from data submitted in response to the Commission's questionnaires, is shown in the following tabulation (in thousands of pounds):

Period	Production
1976	61,656
1977	64,293
1978	53,228
January-September--	
1978	43,149
1979	31,877

There was considerable discussion at the Commission's hearing by counsel representing the petitioner (transcript of the hearing, pp. 108-109) and the opponents to the petition (hearing brief, pp. 26-27) concerning the production data supplied in the Commission's prehearing report on Preliminary Findings of Fact. The Commission's final data represent responses from every known producer of spun acrylic plied yarn for machine knitting. The list of such producers was confirmed by industry sources at all levels (i.e., fiber producers, spinners, and knitter customers), and by AYSA. No additional names of producing firms were offered. Further, the reporting firms indicated that data reported for production of the subject yarn represented total production from all production systems, not production from only the worsted system. Production data reported by the Department of Commerce for "worsted-spun, non-

[redacted]

cellulosic, machine-knitting yarn" differs from that compiled by the Commission because it includes production of some yarns of other than acrylic and some singles yarns, and because it includes only yarns produced on the worsted system.

U.S. producers' shipments

Testimony at the Commission's hearing revealed that none of the current producers of spun acrylic plied yarn internally consume such yarn for their own knitting operations (transcript of the hearing, p. 23). Further, no producer exports the subject yarn.

U.S. shipment data closely parallels that for U.S. production. Shipments are believed to be somewhat overstated in 1978 owing to some double counting caused by a few sales of natural yarn from one spinner to another. When this yarn was subsequently dyed and resold by the second spinner, it was again reported as a "shipment." Also, it is believed that some spinners included a small amount of imported yarn in their data on shipments. U.S. shipment data are presented in the following tabulation (in thousands of pounds):

Period	Shipments
1976	61,374
1977	64,925
1978	52,916
January-September--	
1978	43,327
1979	34,727

Capacity and capacity utilization

The Commission obtained capacity data from 12 domestic producers that accounted for 98 percent of total U.S. production in 1978. The responding firms' capacity declined 2 percent from 1976 to 1978, and then declined an additional 27 percent in January-September 1979 compared with capacity in the corresponding period in 1978, largely owing to plant shutdowns. One reporting firm that ceased production during the Commission's investigation period, Dixie Yarns, Inc., converted its capacity for producing spun acrylic plied yarn to the production of carpet yarn in the third quarter of 1978. Of the other firms that reported to the Commission, * * *. These production units accounted for * * * percent of that firm's capacity to produce spun acrylic plied yarn for machine knitting.

U.S. producers' utilization of practical capacity, as reported in response to the Commission's questionnaires, is shown in the following tabulation (in percent):

[redacted]

Period	Capacity utilization
1976	79.5
1977	85.4
1978	71.1
January-September--	
1978	76.4
1979	75.3

While some firms currently producing spun acrylic plied yarn for machine knitting were operating at higher levels of capacity utilization than shown above, most of the firms exiting the industry during the period under review were operating at relatively low levels. Optimum capacity utilization for the industry is reported to be about 90 percent (transcript of the hearing, pp. 79-80).

Inventories

U.S. producers' total yearend inventories of spun acrylic plied yarn for machine knitting increased from 5.0 million pounds in 1975 to 5.7 million pounds in 1976, and then declined to 5.1 million pounds in 1977. Inventories on December 31, 1978, reached a high of 7.8 million pounds, representing a 53-percent increase from the 1977 level. 1/ The September 30, 1979, inventory level, however, was 50 percent lower than the level on September 30, 1978. As shown in table 2, a larger percentage of natural yarn is held in inventories than dyed. In general, inventories of natural and dyed yarns closely followed the pattern reported for total inventories of all spun acrylic plied yarn for machine knitting.

Table 2.--Spun acrylic plied yarn for machine knitting: U.S. producers' end-of-period inventories, by types, 1975-78, January-September 1978, and January-September 1979

(In thousands of pounds)

Period	Dyed	Natural	Total
1975	1,048	3,975	5,023
1976	1,105	4,553	5,658
1977	1,259	3,855	5,114
1978	1,582	6,223	7,805
January-September--			
1978	1,136	6,125	7,261
1979	748	2,857	3,605

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. These firms accounted for 90 percent of domestic production in 1978.

1/ The inventory figures for 1978 include some imported spun acrylic plied yarn that was purchased by U.S. spinners.

[redacted]

U.S. imports

U.S. imports of spun acrylic plied yarn, provided for in TSUS item 310.50, more than doubled from 6.9 million pounds in 1976 to 15.6 million pounds in 1977, rose again by 51 percent to 23.5 million pounds in 1978, but then fell 69 percent in January-September 1979 compared with imports in the corresponding period of 1978 (table 3) 1/. Most imports are in the natural condition, rather than dyed.

Imports from Japan rose from 3.5 million pounds in 1976, accounting for 52 percent of all imports, to 12.1 million pounds in 1977, when imports from Japan reached their highest share of total imports, 78 percent. Imports from Japan declined to 8.8 million pounds in 1978 (38 percent of total imports), and to 225,000 pounds in January-September 1979 (3 percent of total imports), when only two of the major importers of the Japanese merchandise reported any imports at all. As table 3 shows, some dyed yarn was imported from Japan in 1977 and 1978; however, such imports never accounted for more than 6 percent of total imports from Japan.

Table 3.--Spun acrylic plied yarn for machine-knitting: U.S. imports for consumption, by principal sources, 1976-78, January-September 1978, and January-September 1979

(In thousands of pounds)

Source and type	1976	1977	1978	January-September--	
				1978	1979
Japan: 1/					
Dyed	0	503	526	501	0
Natural	3,547	11,570	8,315	7,910	225
Total	3,547	12,073	8,841	8,411	225
Italy: 1/					
Dyed	0	703	834	742	241
Natural	0	43	2,107	1,211	655
Total	0	746	2,941	1,953	896
All other	3,325	2,757	2/ 11,744	10,563	5,440
Grand total	6,872	15,576	23,526	20,927	6,561

1/ Imports from Japan and Italy compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Total imports compiled or calculated from official statistics of the U.S. Department of Commerce (i.e., TSUSA item 310.5049 for periods after Mar. 1, 1978, and an allocated percentage of "basket" category TSUSA items prior to Mar. 1, 1978).

2/ The increase in imports from countries other than Japan and Italy in 1978 was accounted for principally by imports from the Philippines, the Republic of South Africa, the United Kingdom, and Romania.

1/ For a detailed explanation of the method of calculating U.S. imports for 1976-78, see app. E.

Opponents to the petition argued at the Commission's hearing that imports from Japan had been declining for a full six quarters before the petitioners filed their complaint in late November 1978 (transcript of the hearing, 126). They further argued that "Japan's position in 1978 was taken by a number of foreign suppliers, many entering the U.S. market for the first time. In every case, they sold at below what Japan could offer ... and provided further impetus to Japan's withdrawal" (transcript of the hearing, p. 139).

Imports from Italy rose from 746,000 pounds in 1977 to 2.9 million pounds in 1978, accounting for 12.5 percent of total imports in the latter year, but declined from 2 million pounds in January-September 1978 to 896,000 pounds in the corresponding period of 1979, or by 54 percent. Relative to imports from Japan, a proportionately higher level of dyed yarns from Italy entered the United States.

No domestic spinner directly imported Japanese and/or Italian yarn. Spinners did, however, indirectly purchase * * * percent of the yarn imported from Japan in 1977 and * * * percent in 1978. Domestic spinners bought the imported yarn from Italy in 1978 only when * * * domestic spinners purchased * * * percent of the Italian yarn. * * *.

Average unit values of imports of the subject yarn, as taken from Commerce data, are misleading in view of the complications of a product mix including natural and dyed yarns of varying worsted counts. However, analysis of average unit values of Japanese and Italian yarn in 1978, on the basis of Commission questionnaire data, separated by natural and dyed yarn, is shown in the following tabulation (per pound):

Source	Natural	Dyed
Japan	$1.29	$1.90
Italy	1.13	1.70

Apparent U.S. consumption

Apparent U.S. consumption of spun acrylic plied yarn for machine-knitting increased from 68 million pounds in 1976 to 81 million pounds in 1977, as both U.S. producers' shipments and imports increased. Consumption then declined by 5 percent in 1978 as imports reached their highest level and U.S. producers' shipments fell to their lowest point. 1/ In January-September 1979, consumption fell sharply (by 36 percent) from consumption in the corresponding period of 1978, reflecting substantial decreases in both U.S. producers' shipments (20 percent) and U.S. imports (69 percent), as shown in the following tabulation (in thousands of pounds):

1/ Eleven of the fourteen reporting producers reported declines in shipments in 1978, while two firms left the industry entirely.

[redacted]

Period	U.S. producers' shipments 1/	Imports	Apparent U.S. consumption
1976	61,374	6,872	68,246
1977	64,925	15,576	80,501
1978	52,916	23,526	76,442
January-September--			
1978	43,327	20,927	64,254
1979	34,727	6,561	41,288

1/ No exports were reported of spun acrylic plied yarn for machine knitting.

A large percentage of spun acrylic plied yarn for machine knitting is used in the production of acrylic sweaters, a market that has shown little growth over the past decade. However, according to industry sources, the market for accessories (headwear, gloves, scarves, hosiery) has risen annually at about an 8-percent growth rate, from an estimated 12 million pounds in 1975 to 16 million pounds in 1978. Both the petitioner and opponents to the petition agreed that domestic and imported spun acrylic plied yarn were competing in the sweater and accessories markets (transcript of the hearing, pp. 116 and 165). The president of National Spinning Co., Inc., noted that "the characteristics of the knitting stitch are virtually identical between a bulky sweater and a knit cap or a knit scarf. There is no reason for there to be any differentiation and we have always considered those two markets as one in terms of distribution throughout the United States" (transcript of the hearing, pp. 116-117).

Despite the lack of full year 1979 data for U.S. producers' shipments, it is clear that in that year, apparent U.S. consumption declined from its 1978 level. Industry sources reported that there was a decline in retail demand of acrylic sweaters in 1979. Further, some purchasers reported that acrylic spun yarns were in short supply owing to fluctuations in the availability of domestically produced yarns.

Employment

The number of production and related workers producing and dyeing spun acrylic plied yarn for machine knitting remained fairly constant from 1976 through 1977, and then declined by 4 percent to 4,085 workers in 1978. A further drop of 17 percent in the number of workers was reported for January-September 1979, compared with the number in the corresponding period of 1978 (table 4). These reporting firms accounted for 87 percent of total U.S. production in 1978. Three firms were unable to report employment data. As two such firms left the industry in 1978, declines in employment are understated from 1978 to 1979. Hours worked by production and related workers rose by 5 percent, from 8.1 million hours in 1976 to 8.4 million hours in 1977, and then dipped to 7.6 million hours in 1978. A 14-percent decline was reported in January-September 1979, compared with hours worked in the corresponding period of 1978 (table 5). Output per employee followed the same trend, increasing in 1977, and then falling in 1978 and 1979.

During 1978 and 1979, workers from two firms producing spun acrylic plied yarn, Fitchburg Yarn Co. and American & Efird Mills, Inc., applied for adjustment assistance at the Department of Labor. Fitchburg's petition was denied, while certification was granted to workers at American & Efird.

Table 4.--Average number of production and related workers producing and dyeing spun acrylic plied yarn for machine knitting, 1976-78, January-September 1978, and January-September 1979

Item	1976	1977	1978	January-September--	
				1978	1979
Average number of production and related workers engaged in the:					
Production of spun acrylic plied yarn	3,125	3,109	3,088	3,129	2,500
Dyeing of spun acrylic plied natural yarn	1,101	1,134	997	973	885
Total	4,226	4,243	4,085	4,102	3,385

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 5.--Hours worked by production and related workers producing and dyeing spun acrylic plied yarn for machine knitting, 1976-78, January-September 1978, and January-September 1979

(In thousands of hours)

Item	1976	1977	1978	January-September--	
				1978	1979
Hours worked by production and related workers:					
Producing spun acrylic plied yarn	6,088	6,142	5,535	4,505	3,683
Dyeing spun acrylic plied natural yarn	1,985	2,295	2,061	1,567	1,560
Total	8,073	8,437	7,596	6,072	5,243

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. These firms accounted for 87 percent of U.S. production in 1978.

[redacted]

Profit-and-loss experience

Profit-and-loss data were received from four firms on their spun acrylic plied yarn operations. These four firms represent 59 percent of total U.S. production in 1978. Aggregated data presented in table 6 show an increase of 14.8 percent in net sales in 1977 compared with net sales in 1976, but in 1978 there is a slight decrease in net sales compared with 1977 figures. Net sales during January-September 1979 declined by 4.5 percent compared with net sales for the corresponding period of 1978.

Net operating profits for these four firms increased from $945,000 in 1976 to $4.4 million in 1977, but then declined to $2.8 million in 1978. During January-September 1979, net operating profits amounted to $613,000, representing a decline of 80 percent compared with net operating profits of $3.0 million for the corresponding period of 1978. The ratio of net operating profits to net sales increased from 1.5 percent in 1976 to 6.3 percent in 1977, but declined to 4.0 percent in 1978. The ratio for January-September 1979 was 1.2 percent compared with 5.8 percent for the corresponding period of 1978. Individual company data for the four reporting firms' profit-and-loss experience are shown in table 7.

Table 6.--Profit-and-loss experience of U.S. producers on their spun acrylic plied yarn operations only, 1976-78, January-September 1978, and January-September 1979

Period	Net sales	Cost of goods sold	Gross profit	Administrative and selling expenses	Net operating profit	Ratio of-- Cost of goods sold to net sales	Ratio of-- Gross profit to net sales	Ratio of-- Administrative and selling expense to net sales	Ratio of-- Net operating profit to net sales
	1,000 dollars					Percent			
1976	61,116	55,474	5,642	4,697	945	90.8	9.2	7.7	1.5
1977	70,140	61,161	8,979	4,558	4,421	87.2	12.8	6.5	6.3
1978	70,004	62,672	7,332	4,527	2,805	89.5	10.5	6.5	4.0
January-September--									
1978	52,005	45,745	6,260	3,240	3,020	88.0	12.0	6.2	5.8
1979	49,685	46,011	3,674	3,061	613	92.6	7.4	6.2	1.2

Source: Compiled from data submitted by 4 firms (accounting for approximately 59 percent of total U.S. production in 1978) in response to questionnaires of the U.S. International Trade Commission.

BEST DOCUMENT AVAILABLE

[redacted]

Table 7.--Selected financial data for U.S. producers of spun acrylic plied yarn on their spun acrylic plied yarn operations, by firms, 1976-78, January-September 1978, and January-September 1979

Period and company	Net sales	Cost of goods sold	Gross profit or (loss)	Administrative and selling expenses	Net operating profit or (loss)	Ratio of cost of goods sold to net sales	Ratio of Net operating profit (loss) to net sales
	1,000 dollars					Percent	
1976:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Total or average	61,116	55,474	5,642	4,697	945	90.8	1.5
1977:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Total or average	70,140	61,161	8,979	4,558	4,421	87.2	6.3
1978:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Total or average	70,004	62,672	7,332	4,527	2,805	89.5	4.0
January-September 1978:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Total or average	52,005	45,745	6,260	3,240	3,020	88.0	5.8
January-September 1979:							
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***
Total or average	49,685	46,011	3,674	3,061	613	92.6	1.2

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Responding firms accounted for 59 percent of total U.S. production in 1978.

BEST DOCUMENT AVAILABLE

As shown in table 8, cash flow from operations 1/ for these four firms increased from $2.9 million in 1976 to $6.4 million in 1977, but then declined to $4.8 million in 1978. During January-September 1979, cash flow was $2.3 million, or a decline of 49 percent compared with cash flow of $4.5 million in January-September 1978.

Table 8.--U.S. producers' cash flow from operations on spun acrylic plied yarn, by firms, 1976-78, January-September 1978, and January-September 1979

(In thousands of dollars)

Firm	1976	1977	1978	January-September-- 1978	January-September-- 1979
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
* * *	***	***	***	***	***
Total	2,907	6,381	4,838	4,528	2,303

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. These 4 firms accounted for 59 percent of U.S. production in 1978.

Investment in productive facilities

To provide an additional measure of profitability, domestic producers were asked to supply information on their investment in productive facilities. As shown in table 9, the ratio of net operating profits to average investment in productive facilities followed the same trend as did the ratio of net operating profits to net sales, rising in 1977, falling in 1978, and severely dropping in 1979. 2/ The ratio of net operating profits to investment in productive facilities should not be construed as a return on total investment. Total investment includes, in addition to investment in productive facilities, investment in working capital, nonproductive facilities, and other related joint investments.

1/ For purposes of the analysis, cash flow from operations is defined as net operating profit plus depreciation. Income taxes paid are not taken into consideration owing to different tax rates which may apply to individual firms.

2/ For purposes of this report, average investment is computed as follows:

$$\left(\frac{\text{original cost + value at the end of life of equipment}}{2}\right).$$

BEST DOCUMENT AVAILABLE

[redacted]

Table 9.--Investment in productive facilities and net operating profits, by firms, 1976-78, January-September 1978, and January-September 1979

Period and company	Productive facilities: Book value	Productive facilities: Original cost	Productive facilities: Average cost	Net operating profit or (loss)	Ratio of--: Net operating profit to net sales	Ratio of--: Net operating profit to book value	Ratio of--: Net operating profit to original cost	Ratio of--: Net operating profit to Average cost
	1,000 dollars				Percent			
1976:								
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
Total	10,401	29,842	14,923	945	1.5	9.0	3.2	6.3
1977:								
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
Total	10,951	30,744	15,373	4,421	6.3	40.4	14.4	28.8
1978:								
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
Total	11,683	32,766	16,384	2,805	4.0	24.0	8.6	17.1
January-September, 1978:								
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
Total	11,759	33,046	16,524	3,020	5.8	25.7	9.1	18.3
January-September, 1979:								
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
* * *	***	***	***	***	***	***	***	***
Total	10,415	31,865	15,934	613	1.2	5.9	2.0	3.8

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Responding firms accounted for 59 percent of total U.S. production in 1978.

[redacted]

Research and development expenditures

Research and development expenditures relevant to spun acrylic plied yarn operations were reported as shown in the following tabulation:

(In thousands of dollars)

Firm	1976	1977	1978
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
* * *	***	***	***
Total	183	185	260

The above figures were reported by companies on the basis of an arbitrary allocation of total research and development expenditures. Most research and development in the yarn industry involved changing the characteristic of yarns and trying to find new proprietary blends of fibers to compete with foreign, as well as domestic, competitors. Other research and development expenditures have been devoted to experimenting with new techniques of producing different effects in yarn as well as in its production (transcript of the hearing, 84).

Consideration of the Causal Relationship Between LTFV Imports and the Alleged Material Injury

Market penetration

The ratio of U.S. imports of spun acrylic plied yarn for machine knitting from Japan to apparent U.S. consumption tripled from 5 percent in 1976 to 15 percent in 1977, and then declined to 12 percent in 1978, and to less than 1 percent in January-September 1979. The ratio of U.S. imports from Italy to apparent domestic consumption increased from 1 percent in 1977 to 4 percent in 1978, and then declined to 2 percent in January-September 1979 (table 10).

[redacted]

Table 10.--Spun acrylic plied yarn for machine knitting: U.S. producers' shipments, imports by sources, and apparent consumption, 1976-78, January-September 1978, and January-September 1979

Item	1976	1977	1978	January-September-- 1978	January-September-- 1979
U.S. producers' shipments-----------1,000 pounds--	61,374	64,925	52,916	43,327	34,727
Imports:					
Japan-----------------------do----	3,547	12,073	8,841	8,411	225
Italy-----------------------do----	0	746	2,941	1,953	896
Total, all sources--------do----	6,872	15,576	23,526	20,927	6,561
Apparent consumption----------do----	68,246	80,501	76,442	64,254	41,288
Ratio of imports to consumption from--					
Japan--------------------percent--	5	15	12	13	1
Italy-----------------------do----	-	1	4	3	2
Total---------------------do----	10	19	31	33	16

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Prices

Price is a chief factor of competition in sales of spun acrylic plied yarn for machine knitting. The product is price sensitive, with sales reportedly lost for a 2-cents-per-pound price differential (transcript of the hearing, p. 90). Domestic producers have alleged that LTFV pricing of Japanese and Italian spun acrylic plied yarn for machine knitting has resulted in price suppression and, in some cases, price depression. In an effort to analyze this allegation, U.S. producers and U.S. importers were asked to report lowest net selling prices (f.o.b. producing plant or f.o.b. point of entry, net of all discounts and allowances) and quantities of spun acrylic plied yarn shipped to their largest knitter customers, by quarters, from January 1976 to September 1979. In addition, importers that sold to U.S. spinners were asked to report their lowest net selling price to their largest spinner customers. Price data for yarns of three different specifications were requested: 2/24 skein dyed dark shade, 2/24 natural, and 2/20 natural. 1/ On the basis of these data, a weighted average lowest price per pound for all producers and importers was calculated.

1/ Sufficient data were not received for prices of 2/20 natural yarn to make comparisons.

Two complications surfaced in efforts to analyze price comparisons between U.S. producers' and importers' lowest net selling prices. First, during 1976-78, many U.S. producers reportedly sold little or no unbranded yarn, whereas all the imported product was sold as unbranded. 1/ Secondly, there is a rebate arrangement, in many instances, where a knitter customer who purchases branded yarn receives a rebate directly from the fiber producer (usually without specific knowledge of the spinner). Thus, such discounts would not have been reflected in the lowest net selling prices from spinners to knitters. Information obtained from purchasers indicates that the rebate of 5 to 10 cents per pound cited at the Commisson's hearing is representative of discounts given to purchasers of U.S.-produced branded yarn. However, some purchasers suggested that lower and higher rebates are given, depending on the specific circumstances of the sale.

Of the eight domestic spinners that were able to supply price data, only three firms provided prices on sales of the unbranded yarn. As shown in table 11 and the figure on page A-25, U.S. producers' prices for unbranded yarn were lower than those for branded yarn in almost all instances, although the price differential would be reduced substantially if the "branded" prices were reduced by the rebate of 5 to 10 cents per pound mentioned above. Prices reported for yarn imported from Japan and Italy were competitive with those reported for comparable U.S.- produced yarn. All prices exhibited a very slight upward trend during 1976-78, but during January-September 1979, significant increases were reported.

1/ At the Commission's hearing, opponents to the petition stated that "no Japanese yarn is sold into the branded market in this country." Opponents alleged that "in effect, the petitioners have half of their domestic market insulated from all sources of foreign competition by this branding program" (transcript of the hearing, p. 144).

[redacted]

Table 11.--Spun acrylic plied yarn for machine knitting: Weighted average lowest prices of U.S. producers and importers of yarn from Japan and Italy to principal knitter customers of specified types of yarn, by quarters, January 1976-September 1979

(Per pound)

Period	Skein dyed, dark shade 2/24 1/				Natural 2/24			
	U.S. producers' price		Importers' price		U.S. producers' price		Importers' Price	
	Branded	Unbranded	Japan	Italy	Branded	Unbranded	Japan	Italy
1976:								
Jan.-Mar	$2.04	$2.01	$2.06		$1.47	$1.15	$1.26	-
Apr.-June	2.22	2.05	2.12		1.52	1.24	1.26	-
July-Sept	2.35	2.24	2.20		1.57	1.24	1.40	-
Oct.-Dec	2.35	2.22	2.22		1.47	1.22	1.44	-
1977:								
Jan.-Mar	2.36	2.13	2.19	$2.28	1.60	1.24	1.38	-
Apr.-June	2.50	2.27	2.22	2.32	1.72	1.41	1.43	-
July-Sept	2.47	2.33	2.31	2.32	1.65	-	1.48	-
Oct.-Dec	2.35	2.41	2.23	2.32	1.59	1.41	1.41	-
1978:								
Jan.-Mar	2.36	2.27	2.23	2.32	1.65	1.53	1.42	***
Apr.-June	2.45	2.32	2.27	2.32	1.71	-	1.45	-
July-Sept	2.43	2.15	2.21	2.20	1.64	-	1.43	-
Oct.-Dec	2.30	2.29	2.15	2.14	1.47	-	1.38	-
1979:								
Jan.-Mar	2.27	2.33	2.26	2.17	1.47	1.38	1.39	-
Apr.-June	2.37		2.33	2.22	1.69	1.69	1.57	-
July-Sept	2.47		2.41	2.27	1.74	1.72	1.77	-

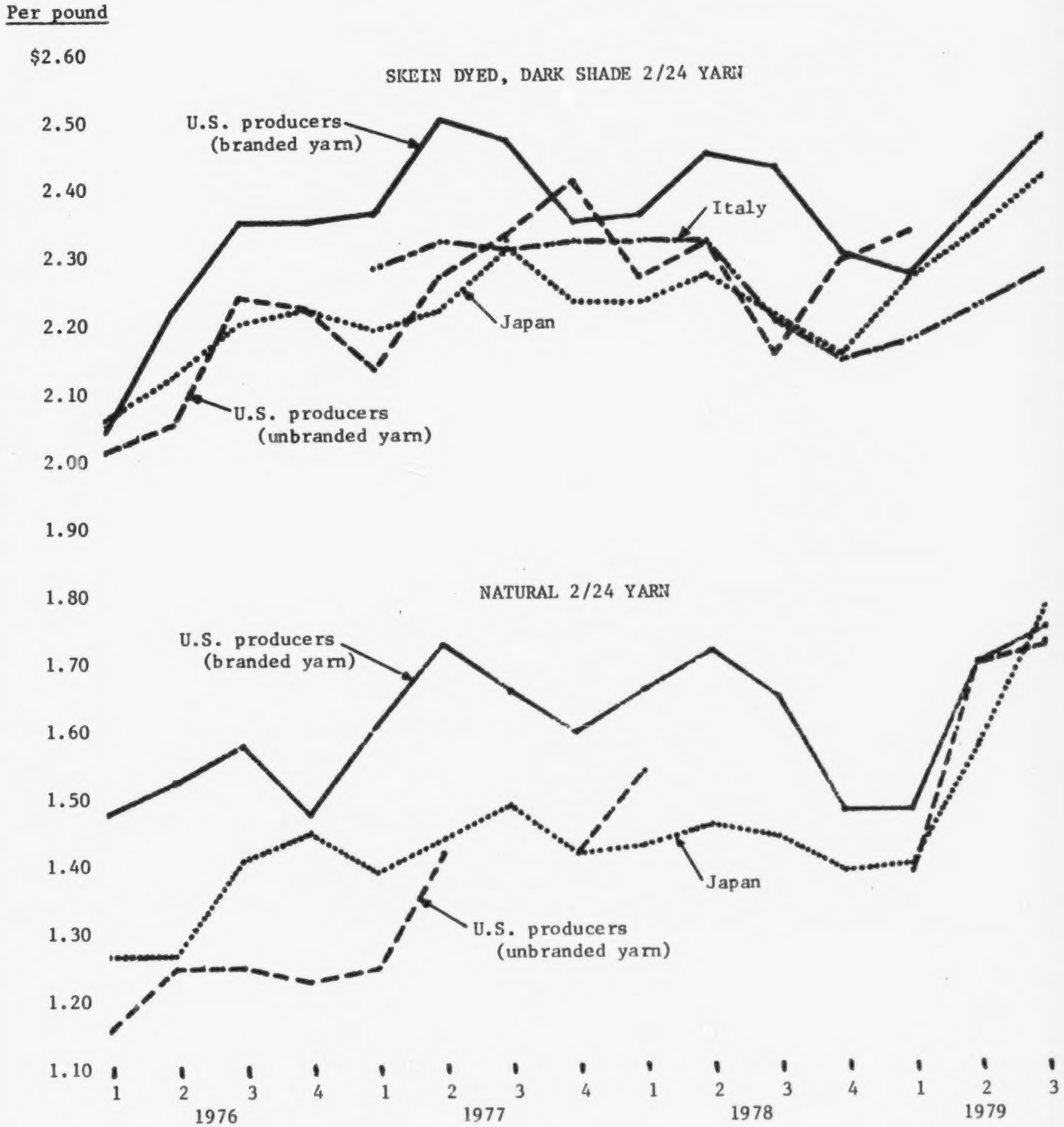
1/ Dyers have reported a 3-to-5-cents spread in price differences within the range of dark shades.

Source: Compiled from data submited in response to questionnaires of the U.S. International Trade Commission.

BEST DOCUMENT AVAILABLE

[redacted]

Spun acrylic plied yarn for machine knitting: Weighted average lowest prices of U.S. producers and importers of yarn from Japan and Italy to principal knitter customers of specified types of yarn, by quarters, January 1976-September 1979.



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

BEST DOCUMENT AVAILABLE

[redacted]

Importers' prices to spinners of the 2/24 natural yarn also showed little fluctuation throughout the period. Prices to spinners for yarn from Japan were approximately the same as such prices to knitters, but prices to spinners for yarn from Italy were significantly lower than similar prices to knitters. This is believed to be explained by the fact that the few transactions involving yarn from Italy were for very large quantities. Importers' price data are shown in the following tabulation:

Period	Importers' prices to spinners of 2/24 natural unbranded yarn	
	Japan	Italy
1976:		
Jan.-Mar	-	-
Apr.-June	$1.47	-
July-Sept	1.47	-
Oct.-Dec	-	-
1977:		
Jan.-Mar	1.35	-
Apr.-June	1.52	-
July-Sept	1.38	-
Oct.-Dec	1.45	-
1978:		
Jan.-Mar	1.32	**
Apr.-June	1.46	**
July-Sept	1.40	**
Oct.-Dec	1.40	**
1979:		
Jan.-Mar	-	-
Apr.-June	-	-
July-Sept	-	-
Oct.-Dec	-	-

Lost sales

For the period January 1976-September 1979, five domestic spinners supplied information on specific lost sales to customers which allegedly purchased spun acrylic plied yarn from Japan and/or Italy in lieu of U.S.-produced yarn. In addition, these spinners alleged that they had lost revenue on certain sales that were made, but at reduced prices, because of price depression caused by imports from Japan. In its efforts to verify these allegations, the Commission contacted all firms cited.

BEST DOCUMENT AVAILABLE

[redacted]

With respect to imports from Japan, U.S. spinners alleged that sales of spun acrylic plied yarn, totaling 5.1 million pounds, were lost at 24 different firms. Twelve of these firms, accounting for 2.3 million pounds (45 percent) of the total alleged losses, confirmed that the Japanese yarn was chosen over the domestic product. Of the remaining 12 firms, 6 indicated that no domestic sales were lost by reason of Japanese imports, 4 were uncertain as to whether or not a domestic sale was lost by reason of the subject imports, and 2 refused to supply the Commission with any information. 1/ The principal reason for purchase provided by the 12 firms that verified that spun acrylic yarn from Japan was chosen in lieu of the domestic product was lower price. One firm reported that the Japanese product was 20 to 30 cents a pound cheaper than the comparable domestic product, while another firm reported that the Japanese product undersold the U.S.-made yarn by 40 to 50 cents. Another firm cited lower price as the principal reason for purchase of the Japanese product from 1976 through 1978; however, in 1979, purchase of the Japanese product was principally due to lack of availability of yarn in the U.S. market place. Several respondents explained their need to purchase lower priced Japanese yarn in view of the competitive pricing practices of downstream acrylic sweaters imported from the Far East.

In addition to lost sales, U.S. spinners alleged that they lost revenues totaling $492,300 to 10 firms on sales of yarn that were made only after prices were reduced to be competitive with those offered for yarn from Japan. Eight of the ten firms, accounting for $313,200 (64 percent) of the total alleged losses, confirmed that prices were reduced as alleged. The other firms indicated that prices were reduced because of competing offers for yarn from other U.S. spinners or from imports from countries other than Japan.

With respect to imports from Italy, U.S. spinners alleged that sales totaling 1.4 million pounds were lost to five different firms. Two of these firms, accounting for 1.1 million pounds (79 percent) of the total alleged losses, confirmed that yarn from Italy had been chosen over the domestic product. The principal reasons for purchase, as reported by one firm, were lower price and availability. The other firm, a domestic spinner, * * *, alleged lost sales and revenue to LTFV imports from Italy and cited itself as a source of lost sales. The firm indicated in its response to the Commission's questionnaire:

* * * * * * *

1/ Of the six firms that indicated that no domestic sales were lost by reason of Japanese imports, two specifically reported that the alleged lost sales were made by other domestic producers, while one firm indicated that it had not bought the Japanese yarn during the period of alleged lost sale, but instead had been buying Romanian yarn, which was much cheaper.

[redacted]

In response to a questionnaire sent to major purchasers of both U.S. and imported yarn, the principal reasons given for purchase of the Japanese yarn were price (13 firms), availability (5), 1/ quality (3), and alternative source (1). Principal reasons reported for purchases of the Italian product were price (5), availability (3), and alternative source (2).

Competitive products

Wool.--Prior to the introduction of acrylic fibers, wool was a predominant raw material used in the production of sweaters, headwear, gloves, socks, and scarves, all end uses where spun acrylic plied yarn now dominates. Currently, these products made of wool or chiefly of wool are much more expensive than those of acrylic or chiefly acrylic since raw wool is generally in the range of 2 to 2-1/2 times more expensive than acrylic fiber. Acrylic yarn was successful in replacing wool because finished products made of acrylic yarn contain most of the favorable characteristics for which wool is noted and, additionally, have a feature of washability.

Imports of sweaters.--Spun acrylic plied yarns are the principal raw material used in domestic and imported sweaters of man-made fibers. The quantity of sweater imports, therefore, is a major factor in determining the amount of spun acrylic plied yarn sold to domestic sweater producers.

Imports of sweaters of manmade fibers increased from 8.9 million dozen in 1974 to 9.6 million dozen in 1976 before dropping to 9.4 million dozen in 1978. The bulk of such imports since 1972 have been supplied by Taiwan, the Republic of Korea, and Hong Kong (table 12).

Under the Multifiber Arrangement, sweaters are subject to restraints under category 645, men's and boys' sweaters of manmade fibers, and category 646, women's, girls' and infants' sweaters. Japan and Italy have exported minor quantities of acrylic sweaters to the United States; thus, restraint levels have not been established for them. However, for Taiwan, the Republic of Korea, and Hong Kong, annual restraint levels for 1976-79 have been about 4 million dozen, 3 million dozen, and 1 million dozen, respectively.

1/ One respondent specifically noted that domestic producers do not have adequate supply in peak seasons, and accordingly purchased both Japanese and Italian yarn to supplement its supply.

[redacted]

Table 12.--Sweaters of manmade fibers: U.S. imports for consumption, by principal sources, 1974-79

Source	1974	1975	1976	1977	1978	1979
	Quantity (1,000 dozen)					
Taiwan	3,968	4,181	4,207	4,306	4,264	3,066
Republic of Korea	2,558	2,918	3,343	2,378	2,447	2,198
Hong Kong	1,014	1,199	1,069	1,141	1,229	1,153
All other	1,399	904	944	1,286	1,506	1,473
Total	8,939	9,202	9,563	9,111	9,446	7,890
	Value (1,000 dollars)					
Taiwan	106,766	110,840	151,440	179,657	191,427	145,803
Republic of Korea	61,625	66,853	98,701	87,293	93,479	84,629
Hong Kong	33,899	38,626	39,624	44,251	52,322	56,488
All other	36,764	23,666	24,583	34,834	43,502	41,323
Total	239,054	239,985	314,348	346,035	380,730	328,243
	Unit value (per dozen)					
Taiwan	$26.91	$26.51	$36.00	$41.73	$44.89	$47.55
Republic of Korea	24.09	22.91	29.52	36.70	38.21	38.51
Hong Kong	33.43	32.22	37.07	38.77	42.59	48.97
All other	26.28	26.18	26.04	27.09	28.89	28.06
Total	26.74	26.08	32.87	37.98	40.31	41.60

Source: Compiled from official statistics of the U.S. Department of Commerce.

BLANK PAGE

[redacted]

APPENDIX A

TREASURY DEPARTMENT LETTERS ADVISING THE COMMISSION OF ITS DETERMINATION OF LTFV SALES FROM JAPAN AND ITALY

(19)

[redacted]

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

OCT 19 1979

'79 OCT 22 AM 10:55

[illegible]
U.S. INTL. TRADE [illegible]

Dear Mr. Chairman:

In accordance with section 201(a) of the Antidumping Act, 1921, as amended, you are hereby advised that spun acrylic yarn from Japan is being, or is likely to be, sold at less than fair value within the meaning of the Act.

The U.S. Customs Service will make available to the International Trade Commission as promptly as possible the file on sales or likelihood of sales at less than fair value of spun acrylic yarn subject to this determination. This file is for the Commission's use in connection with its investigation as to whether an industry in the United States is being, or is likely to be, injured, or is prevented from being established, by the reason of the importation of this merchandise into the United States.

Because some of the data in this file is regarded by the Customs Service to be of a confidential nature, it is requested that the Commission consider all information therein contained for the official use of the Commission only, and not to be disclosed to others without prior clearance with the Customs Service.

Sincerely,

David R. Brennan

David R. Brennan
Acting General Counsel

The Honorable
Joseph O. Parker
Chairman, U.S. International
Trade Commission
Washington, D.C. 20436

DOCKET
NUMBER
#601
Office of the
Secretary
Int'l Trade Commission

BEST DOCUMENT AVAILABLE

58

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

RECEIVED

DEC 17 1979 PM 3:41

OFF. OF THE SECRETARY
U.S. INTL. TRADE COMMISSION

Dear Mr. Chairman:

In accordance with section 201(a) of the Antidumping Act, 1921, as amended, you are hereby advised that spun acrylic yarn from Italy is being, or is likely to be, sold at less than fair value within the meaning of the Act.

The Customs Service will make available to the International Trade Commission as promptly as possible the file on sales or likelihood of sales at less than fair value of spun acrylic yarn subject to this determination. This file is for the Commission's use in connection with its investigation as to whether an industry in the United States is being, or is likely to be, injured, or is prevented from being established, by reason of the importation of this merchandise into the United States.

Because some of the data in this file is regarded by the Customs Service to be of a confidential nature, it is requested that the Commission consider all the information therein contained for the official use of the Commission only, and not to be disclosed to others without prior clearance from the Customs Service.

Sincerely,

Robert H. Mundheim

The Honorable
Joseph O. Parker
Chairman, U.S. nternational
Trade Commission
Washington, D.C.

Enclosure

MOTION DOCKET
NUMBER
#612
Office of the
Secretary
Int'l Trade Commission

BEST DOCUMENT AVAILABLE

59

BLANK PAGE

[redacted]

APPENDIX B

U.S. INTERNATIONAL TRADE COMMISSION NOTICES CONCERNING ITS INVESTIGATIONS OF SPUN ACRYLIC YARN FROM JAPAN AND ITALY

[AA1921-212]

Spun Acrylic Yarn From Japan; Investigation and Hearing

Having received advice from the Department of the Treasury on October 22, 1979, that spun acrylic yarn from Japan is being, or is likely to be, sold at less than fair value, the United States International Trade Commission, on November 19, 1979, instituted investigation No. AA1921-212 under section 201(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. For purposes of the Treasury Department's determination, "spun acrylic yarn" means spun yarn of acrylic classifed under item 310.50 of the Tariff Schedules of the United States.

Conduct of the investigation under the Trade Agreements Act of 1979. Under the Antidumping Act, 1921, the Commission is required to notify the Treasury Department of its determination in this investigation not later than January 22, 1980. However, under section 102 of the Trade Agreements Act of 1979 (P.L. 96-39, 93 Stat. 144, July 26, 1979), the Commission would be required to terminate this investigation on January 1, 1980, and initiate an investigation under subtitle B of title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979, if the conditions set forth in sections 2 and 107 of the Trade Agreements Act are fulfilled by January 1, 1980. In the event that the Trade Agreements Act becomes effective on January 1, 1980, this present investigation will be terminated and a new investigation will be instituted which will be conducted under the provisions of sections 101 and 102 of the Trade Agreements Act. That act requires this new investigation to be completed within 75 days after January 1, 1980. On the assumption that the new law will become effective, the procedures described below will be followed in the present investigation.

Hearing. A public hearing in connection with the investigation will be held on Tuesday, January 22, 1980, in the Commission's Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, beginning at 10 a.m., e.s.t. Requests to appear at the public hearing should be filed in writing with the Secretary to the Commission not later than close of business (5:15 p.m., e.s.t.), Tuesday, January 15, 1980. (If it appears that the dumping provisions of the Trade Agreements Act will not be effective on January 1, 1980, a notice rescheduling the hearing (and related prehearing report and statements) for an earlier date will be issued.)

Prehearing statements. The Commission will prepare and place on the record by January 8, 1980, a staff report containing preliminary findings of fact. Parties to the investigation will submit to the Commission a prehearing statement by January 18, 1980. The content of such statement should include the following:

(a) Exceptions, if any, to the preliminary findings of fact contained in the staff report,

(b) Any additional or proposed alternative findings of fact,

(c) Proposed conclusions of law,

(d) Any other information and arguments which a party believes relevant to the Commission's determination in this investigation; and

(e) A proposed determination for adoption by the Commission.

Collection and confidentiality of information. Requerts for confidential treatment of information submitted to the Commission should be directed to the attention of the Secretary. Requests must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

Information submitted to or gathered by the Commission in conjunction with this proceeding under section 201(a) of the Antidumping Act will be placed in the record of the proceeding instituted under title VII of the Tariff Act of 1930, as added by the Trade Agreements Act, if and when that law becomes effective. That information will be subject to the new antidumping provisions regarding access to information set forth in title VII. Those provisions relate to the collection and retention of information by the Commission and the maintenance of confidentiality or the disclosure of information. The provisions of section 777 of title VII will require the following:

(a) A record of all ex parte meetings between interested parties or persons providing factual information in connection with an investigation and the Commissioners, their staffs, or any person charged with making a final recommendation in an investigation;

(b) Disclosure of nonconfidential information or nonconfidential summaries of confidential information which is not in a form that can be associated with or used to identify the operations of a particular person;

(c) Preventing disclosure of confidential information unless the party submitting the information consents to the disclosure; and

(d) Limited disclosure of certain confidential information under protective order or by an order of the U.S. Customs Court.

Section 516A of the Tariff Act of 1930, as amended by the Trade Agreements Act, will require that all information in the record before the Commission in the title VII investigation, whether confidential or nonconfidential in nature, become part of the record before the U.S. Customs Court in any action under section 516A regarding Commission determination. Section 771 provides definitions applicable to title VII.

The Commission is prescribing these procedures pursuant to section 335 of the Tariff Act of 1930, as amended (19 U.S.C. 1335), which authorizes the

BEST DOCUMENT AVAILABLE

Commission to adopt such reasonable procedures as are necessary to carry out its functions and duties.

Issued: November 21, 1979.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 79-[illegible] Filed 11-27-79; 8:45 am]

BILLING CODE [illegible]

BEST DOCUMENT AVAILABLE

63

[AA1921-214]

Spun Acrylic Yarn From Italy; Investigation and Hearing

Having received advice from the Department of the Treasury on December 17, 1979, that spun acrylic yarn from Italy is being, or is likely to be, sold at less than fair value, the United States International Trade Commission, on December 27, 1979, instituted investigation No. AA1921-214 under section 201(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. For purposes of the Treasury Department's determination, "spun acrylic yarn' means spun yarn of acrylic classified under item 310.50 of the Tariff Schedules of the United States.

This investigation will be conducted in conjunction with investigation No. AA1921-212, Spun Acrylic Yarn from Japan, which was instituted on November 21, 1979 (44 FR 68040, November 28, 1979).

Conduct of the Investigation Under the Trade Agreements Act of 1979.

Under the Antidumping Act, 1921, the Commission is required to notify the Treasury Department of its determination in this investigation not later than March 17, 1980. However, under section 102 of the Trade Agreements Act of 1979 (Pub. L. 96-39, 93 Stat. 144, July 26, 1979), the Commission would be required to terminate this investigation on January 1, 1980, and initiate an investigation under subtitle B of title VII of the Tariff Act of 1930, as added by the Trade Agreements Act of 1979, if the conditions set forth in sections 2 and 107 of the Trade Agreements Act are fulfilled by January 1, 1980. In the event that the Trade Agreements Act becomes effective on January 1, 1980, this present investigation will be terminated and a new investigation will be instituted which will be conducted under the provisions of sections 101 and 102 of the Trade Agreements Act. That act requires this new investigation to be completed within 75 days after January 1, 1980. On the assumption that the new law will become effective, the procedures described below will be followed in the present investigation.

After January 1, 1980, however, the rules adopted by the Commission on December 19, 1979, to govern 75 days investigations will be applicable, except where they require a date for submission of prehearing statements different from the date set out in this notice. The rules will become Part 207, subpart C of the Commissions Rules of Practice and Procedure and appear in the Federal Register of December 26, 1979.

Hearing. A public hearing in connection with this investigation, and investigation No. AA1921-212, Spun Acrylic Yarn from Japan, will be held on Tuesday, January 22, 1980, in the Commission's Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. 20436, beginning at 10 a.m., e.s.t. Requests to appear at the public hearing should be filed in writing with the Secretary to the Commission not later than close of business (5:15 p.m., e.s.t.), Tuesday, January 15, 1980. (If it appears that the dumping provisions of the Trade Agreements Act will not be effective on January 1, 1980, a notice rescheduling the hearing (and related prehearing report and statements) for an earlier date will issued.)

Prehearing statements. The Commission will prepare and place on the record by January 8, 1980, a staff report containing preliminary findings of fact. Parties to the investigation will submit to the Commission a prehearing statement by January 26, 1980. Such statement should include the following:

(a) Exceptions, if any, to the preliminary findings of fact contained in ths staff report,

(b) Any additional or proposed alternative findings of fact,

(c) Proposed conclusions of law, and

(d) Any other information and arguments which a party believes relevant to the Commission's determination in this investigation.

Collection and confidentiality of information. Requests for confidential treatment of information submitted to the Commission should be directed to the attention of the Secretary. Requests must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

Information submitted to or gathered by the Commission in conjunction with this proceeding under section 201(a) of the Antidumping Act will be placed in the record of the proceeding instituted under title VII of the Tariff Act of 1930, as added by the Trade Agreements Act, if and when that law becomes effective. That information will be subject to the new antidumping provisions regarding access to information set forth in title VII. Those provisions relate to the collection and retention of information by the Commission and the maintenance of confidentiality or the disclosure of information. The provisions of section 777 of title VII will require the following:

(a) A record of all ex parte meetings between interested parties or persons providing factual information in connection with an investigation and the Commissioners, their staffs, or any person charged with making a final recommendation in an investigation;

(b) Disclosure of nonconfidential information or nonconfidential summaries of confidential information which is not in a form that can be associated with or used to identify the operations of a particular person;

(c) Preventing disclosure of confidential information unless the party submitting the information consents to the disclosure; and

(d) Limited disclosure of certain confidential information under protective order or by an order of the U.S. Customs Court.

Section 516A of the Tariff Act of 1930, as amended by the Trade Agreements Act, will require that all information in the record before the Commission in the title VII investigation, whether confidential or nonconfidential in nature, become part of the record before the U.S. Customs Court in any action under section 516A regarding a Commission determination. Section 771 provides definitions applicable to title VII.

The Commission is prescribing these procedures pursuant to section 335 of the Tariff Act of 1930, as amended (19 U.S.C. 1335), which authorizes the Commission to adopt such reasonable procedures as are necessary to carry out its functions and duties.

By order of the Commission.

Issued: December 28, 1979.

Kenneth R. Mason,

Secretary.

[FR Doc. 80-120 Filed 1-2-80; 8:45 am]

BILLING CODE 7020-02-M

BEST DOCUMENT AVAILABLE

[Term. Inv. AA1921-212: Institute Inv. 731-TA-1 (Final), Term. Inv. AA1921-213: Institute Inv. 731-TA-3 (Final), Term. Inv. AA1921-214: Institute Inv. 731-TA-2 (Final)]

Termination of Investigations Conducted Under the Antidumping Act, 1921, and Institution of Antidumping Investigations and Scheduling of Hearings Under the Tariff Act of 1930

AGENCY: United States International Trade Commission.

ACTION: Termination of three antidumping investigations under the Antidumping Act, 1921, and reinstitution of those investigations under title VII of the Tariff Act of 1930 to determine whether with respect to the articles involved an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports sold or likely to be sold at less than fair value.

EFFECTIVE DATE: January 1, 1980.

FOR FURTHER INFORMATION CONTACT: The supervisory investigator assigned by the Commission to the particular investigation for which the information is sought. The assignments of supervisory investigators and their telephone numbers at the Commission are designated below.

SUPPLEMENTARY INFORMATION: The Trade Agreements Act of 1979, section 102(c), requires the Commission to conduct antidumping investigations in cases where on January 1, 1980, the Commission is conducting an investigation under section 201(a) of the Antidumping Act, 1921, as to whether an industry in the United States is being, or is likely to be injured, or prevented from being established. Accordingly, the Commission hereby gives notice that, effective January 1, 1980, it is terminating the investigations under the Antidumping Act indicated in the first column below and is instituting the new investigations indicated in the second column with respect to the products described in the third column pursuant to section 732(b) of the Tariff Act of 1930, as added by title I of the Trade Agreements Act of 1979. These new investigations will be subject to the provisions of Part 207 of the Commission's *Rules of Practice and Procedure* (19 CFR 207, 44 FR 76457) and, particularly, subpart C thereof, effective January 1, 1980.

Written submissions. Any person may submit to the Commission on or before the prehearing statement due date specified below for the relevant investigation a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen true copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Hearings. The Commission has scheduled a hearing in each investigation on the date specified below. A report containing preliminary findings of fact prepared by the Commission's professional staff will be made available to all interested persons prior to the hearing. Any person's prehearing statement must be filed on or before the indicated date. All parties that desire to appear at the hearing and make oral presentations must file prehearing statements. For further information, consult the Commission's *Rules of Practice and Procedure,* Part 207, Subpart C (44 FR 76457), effective January 1, 1980.

Pending Antidumping Investigations

Investigation No. before Jan. 1, 1980	Investigation No. after Jan. 1, 1980	Product/country	Prehearing report to parties	Deadline for prehearing statements from parties	Hearing date	Hearing location	Contact person
AA1921-212	731-TA-1 (Final)	Spun yarn of acrylic, provided for in TSUS item 310.50/Japan.	Jan. 8, 1980	Jan. 17, 1980	Jan. 22, 1980	ITC Bldg., Wash., D.C.	Lynn Featherstone, 523-1378.
AA1921-214	731-TA-2 (Final)	Spun yarn of acrylic, provided for in TSUS item 310.50/Italy.	Jan. 8, 1980	Jan. 17, 1980	Jan. 22, 1980	ITC Bldg., Wash., D.C.	Lynn Featherstone, 523-1378.
AA1921-213	731-TA-3 (Final)	Sugars and sirups, provided for in TSUS items 155.20 and 155.30/Canada.	Jan. 25, 1980	Feb. 7, 1980	Feb. 13, 1980	ITC Bldg., Wash., D.C.	William Fry, 523-0242.

Issued: January 14, 1980.

By order of the Commission.

Kenneth R. Mason,
Secretary.

[FR Doc. 80-1845 Filed 1-16-80; 8:45 am]

BILLING CODE 7020-02-M

65 BEST DOCUMENT AVAILABLE

BLANK PAGE

[redacted]

APPENDIX C

TREASURY'S NOTICES OF ITS ANTIDUMPING PROCEEDING, WITHHOLDING OF APPRAISEMENT, AND DETERMINATION OF SALES AT LESS THAN FAIR VALUE ON IMPORTS FROM JAPAN

[4810-22-M]

Office of the Secretary

SPUN ACRYLIC YARN FROM JAPAN

Antidumping Proceeding Notice

AGENCY: U.S. Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether imports of spun acrylic yarn from Japan are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are less than the prices in the home market or the constructed value.

EFFECTIVE DATE: January 4, 1979.

FOR FURTHER INFORMATION CONTACT:

David R. Chapman, Operations Officer, U.S. Customs Service, 1301 Constitution Avenue, NW, Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On November 22, 1978, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel representing the American Yarn Spinners Association, Gastonia, North Carolina, indicating the possibility that the subject merchandise from Japan is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.*).

For purposes of this investigation, the term "spun acrylic yarn" means spun yarn of acrylic, provided for in item 310.50, Tariff Schedules of the United States.

Pricing information was supplied by petitioner for yarn sold to the United States and to the Japanese home market which indicates that there may be less than fair value margins of as much as 58 percent. The petitioner has also supplied information pursuant to section 205(b) of the Act (19 U.S.C. 164(b)), indicating that sales in the home market may be below the cost of production. Accordingly, petitioner constructed the value of spun acrylic yarn produced in Japan and, in comparison with a representative export price to the United States, arrived at an alleged less than fair value margin of 86 percent. Since petitioner has presented sufficient evidence to support the claim of below-cost sales, the investigation will include not only price-to-price comparisons but will also seek to determine (1) whether there have been sales made in the home market at less than the cost of production over an extended period of time and in substantial quantities and (2) whether such sales were not at prices which permit recovery of all costs within a reasonable period of time in the normal course of trade. If there have been such sales, those sales will be disregarded in the determination of foreign market value. If insufficient sales in the home market or to third countries remain at not less than the cost of production, then the constructed value will be employed as the basis of fair value.

There is evidence on record concerning injury or likelihood of injury to an industry in the United States that produces spun acrylic yarns. This information indicates that imports of spun acrylic yarns from Japan are underselling domestic spun acrylic yarn by margins of up to 24 percent, which is fully accounted for by the alleged dumping margins. Imports of spun acrylic yarn from Japan have increased in both absolute and relative terms. Although the Agreement Regarding International Trade in Textiles (MFA) imposed a restraint on the quantities of acrylic yarn which could enter the United States from Japan, the petition indicates that the level of imports in 1978 will substantially exceed that of the previous year. More importantly, the restraint agreement will expire at the end of 1978 unless extended. In any event, the mere existence of such an agreement is not necessarily a basis for determining that sales at substantial margins below fair vlaue cannot result in or threaten injury to the domestic industry.

In addition, domestic production, capacity utilization and sales, which had declined from 1973 to 1976 but had begun to recover in 1976, have failed to continue to increase with increased domestic demand. Furthermore, petitioner's profitability in the production of spun acrylic yarn has failed to improve and employment in the petitioner's plants have been affected by lost sales.

Having conducted a summary investigation as required by § 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value.

This notice is being published pursuant to § 153.30 of the Customs Regulations (19 CFR 153.30).

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

DECEMBER 28, 1978.

[FR Doc. 79-361 Filed 1-3-79; 8:45 am]

BEST DOCUMENT AVAILABLE

BEST DOCUMENT AVAILABLE

Spun Acrylic Yarn From Japan, Antidumping; Withholding of Appraisement Notice

AGENCY: U.S. Treasury Department.

ACTION: Withholding of Appraisement.

SUMMARY: This notice is to advise the public that there are reasonable grounds to believe or suspect that there are, or are likely to be, sales of spun acrylic yarn from Japan at less than fair value within the meaning of the Antidumping Act, 1921, as amended. (Sales at less than fair value generally occur when the price of merchandise sold for exportation to the United States is less than the price of such or similar merchandise sold in the home market or to third countries). Appraisement for the purpose of determining the proper duties applicable to entries of this merchandise will be suspended for 6 months. Interested persons are invited to comment on this action.

EFFECTIVE DATE: July 13, 1979.

FOR FURTHER INFORMATION CONTACT: David R. Chapman, Duty Assessment Division, United States Customs Service, 1301 Constitution Avenue, NW., Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On November 22, 1978, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel acting on behalf of the American Yarn Spinners Association, Gastonia, North Carolina, alleging that spun acrylic yarn from Japan is being, or is likely to be, sold at less that fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.*) (referred to in this notice as the "Act".) An "Antidumping Proceeding Notice", indicating that there was evidence on record concerning injury, to or likelihood of injury to, and industry in the United States, was published in the Federal Register of January 4, 1979 (44 FR 1238-9).

For purposes of this investigation, the term "spun acrylic yarn" means spun yarn of acrylic, provided for in item 310.50, Tariff Schedules of the United States.

Tentative Determination of Sales at Less Than Fair Value

On the basis of the information developed in Customs' investigation and for the reasons noted below, pursuant to section 201(b) of the Act (19 U.S.C. 160(b)), I hereby determine that there are reasonable grounds to believe or suspect that the purchase price of spun acrylic yarn from Japan is less than the fair value, and thereby the foreign market value, of such or similar merchandise.

Statement of Reasons on Which This Determination Is Based

a. *Scope of the investigation.* It appears that approximately 83 percent of the imports of the subject merchandise from Japan sold for export to the United States during the investigatory period (January 1, 1978, through December 31, 1978) were sold by Diafibers Company, Ltd. (Diafibers), a joint selling company for Japan Exlan Company, Ltd., and Mitsubishi Rayon Co., Ltd., and by Asahi Chemical Industry Co., Ltd. (or its related selling company, Nippon Synthetic Fibers Co., Ltd.). The investigation therefore was limited to sales by these companies.

b. *Bases of comparison.* For the purposes of considering whether the merchandise in question is being, or is likely to be, sold at less than fair value within the meaning of the Act, the proper basis of comparison appears to be between the purchase price and the home market price of such or similar merchandise. Purchase price, as defined in section 203 of the Act (19 U.S.C. 162), was used since the great preponderance of export sales to the United States appear to be made to non-related customers.

Home market price, as defined in section 153.2, Customs Regulations (19 CFR 153.2), was used since such or similar merchandise appears to have been sold by those sellers in the home market in sufficient quantities, at prices equal to or above the cost of production, to provide a basis of comparison for fair value purposes.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was gathered concerning sales to the United States, sales to countries other than the United States and home market sales during the period January 1, 1978, through December 31, 1978.

c. *Purchase price.* For purposes of this tentative determination of sales at less than fair value, purchase price has been calculated on the basis of the f.o.b. price to the United States customer or the price to unrelated trading companies for export to the United States. Deductions have been made for inland freight and shipping expenses, where applicable.

d. *Home market prices.* For the purposes of this tentative determination of sales at less than fair value, the home market prices have been calculated on the basis of the delivered prices in the home market to unrelated purchasers. Adjustments have been made for differences in inland freight, packing and interest expenses between home market sales and export sales. Deductions have been made, where applicable, for rebates made on home market sales which are directly related to the sales under consideration. Deductions have been made, where applicable, for certain sales promotion expenses incurred by the manufacturers on behalf of their customers. An adjustment to home market price has been made for the difference in spinning cost incurred between exported and home market merchandise in accordance with § 153.11, Customs Regulations (19 CFR 153.11). Adjustments claimed for warehousing costs incurred on home market sales have not been allowed because such costs would have been incurred

BEST DOCUMENT AVAILABLE

regardless of whether or not a particular sale had been made. Claims for adjustments for interest expenses other than sales interest have not been allowed because such interest bears no direct relationship to sales. Claims for adjustments for labor charges for personnel in yarn sales departments have not been allowed because such expenses would have been incurred regardless of whether or not particular sales were made. A claim for adjustment for the difference in laboratory costs between home market and export merchandise has not been allowed because there is no direct relationship to the sales under consideration. A claim for an adjustment for differences in circumstance of sale for advertising expenses has not been allowed because such expenses have not been shown to be directly connected with acrylic yarn. A claim for a price differential between raw material consumed in merchandise exported to the United States and that consumed in merchandise produced for domestic sale was not allowed because there is no no difference in the merchandise and the transactions involved generally appeared to be between related parties. Further, it was not established that the claimed cost differential actually existed. Also, no non-confidential summary describing this claim has been submitted. Claims for administrative expenses of the sales departments have not been allowed because such expenses would have been incurred regardless of whether particular sales were made. Thus, such expenses do not constitute circumstances of any particular sale.

e. *Cost to produce.* Counsel for petitioner has alleged that sales of this merchandise for home consumption or to third countries have been made in substantial quantities over an extended period of time at prices which are less than the cost of production within the meaning of section 205(b) of the Act (19 U.S.C. 164(b)) and which do not permit recovery of all costs within a reasonable period of time in the normal course of trade. Information submitted with the petitions indicated that petitioner's claim might be well founded. Therefore, it was determined that an investigation of respondents' cost of production was warranted.

The respondents in this case declined to provide information concerning their costs of production. Hence, pursuant to section 153.31(a) of the Customs Regulations (19 CFR 153.31(a)), the best evidence of cost of production was utilized in an effort to determine whether section 205(b) of the Act was applicable. It has been determined that the best information available is that information which has been submitted by the manufacturers themselves in support of the various claims made by them for adjustments to their home market prices, information gathered during verification by Customs Service representatives, and information in publicly available documentation. Using such information it has been tentatively determined that a minimum of 22 percent of each manufacturer's sales has been made at less than the cost to produce in the home market. Accordingly, those sales were disregarded in establishing fair value, the remaining home market sales made at above the cost to produce, which constituted over 50 percent over the home market sales for each manufacturer, have been utilized for fair value comparisons.

f. *Result of fair value comparisons.* Using the above criteria, purchase price appears to be lower than the home market price of such or similar merchandise. Comparisons were made on 82.6 percent of sales to the United States market during the investigatory period. Weighted-average margins over the total sales compared for each firm were approximately 29.05 percent for Asahi Kasei, 18.33 percent for Japan Exlan, and 20.26 percent for Mitsubishi Rayon, with an overall weighted-average margin of 23.19 percent for all manufacturers combined. The range of margins was from 6.13 to 58.21 percent in the case of Asahi Kasei, from 0.5 to 41.13 percent in the case of Japan Exlan, and from 5.01 to 49.63 percent in the case of Mitsubishi Rayon. Margins were found on 100 percent of the sales compared for each manufacturer.

Accordingly, Customs officers are being directed to withhold appraisement of spun acrylic yarn from Japan in accordance with § 153.48, Customs Regulations (19 CFR 153.48).

In accordance with § 153.40, Customs Regulations (19 CFR 153.40), interested parties may present written views or arguments or request in writing that the Secretary of the Treasury afford an opportunity to present oral views.

Any requests that the Secretary of the Treasury afford an opportunity to present oral views should be submitted to the Commissioner of Customs, 1301 Constitution Avenue, NW., Washington, D.C. 20229, in time to be received by his office no later than July 27, 1979. Such requests must be accompanied by a statement outlining the issues wished to be discussed, which issues may be discussed in greater detail in a written brief. All written views or arguments likewise should be submitted to the Commissioner of Customs in 10 copies in time to be received in his office no later than August 13, 1979. All persons submitting views or arguments should avoid repetitious and merely cumulative material. Counsel for the petitioner and the respondents are also requested to serve all written submissions on all other counsel, including non-confidential summaries or approximated presentations of all confidential information.

This notice, which is published pursuant to section 153.35(b), Customs Regulations (19 CFR 153.35(b)), shall become effective July 13, 1979. It shall cease to be effective January 14, 1980, unless previously revoked.

Robert H. Mundheim,

General Counsel of the Treasury.

July 6, 1979.

[FR Doc. 79-21727 Filed 7-12-79; 8:45 am]

BILLING CODE 4810-22-M

BEST DOCUMENT AVAILABLE

Antidumping; Spun Acrylic Yarn From Japan; Determination of Sales at Less Than Fair Value

AGENCY: U.S. Treasury Department.

ACTION: Determination of Sales at Less Than Fair Value.

SUMMARY: This notice is to advise the public that an antidumping investigation has resulted in a determination that spun acrylic yarn from Japan is being sold at less than fair value within the meaning of the Antidumping Act, 1921. Sales at less than fair value generally occur when the price of merchandise sold for exportation to the United States is less than the price of such or similar merchandise sold in the home market or to third countries. The case is being referred to the United States International Trade Commission for a determination concerning possible injury to an industry in the United States.

EFFECTIVE DATE: October 25, 1979.

FOR FURTHER INFORMATION CONTACT: Steve Garment, Trade Analysis Division, U.S. Customs Service, 1301 Constitution Avenue, N.W., Washington, D.C. 20229; (202) 566-5492.

SUPPLEMENTARY INFORMATION: On November 22, 1978, a petition was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel acting on behalf of the American Yarn Spinners Association, Gastonia, North Carolina, alleging that spun acrylic yarn from Japan is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.*) ("the Act"). An "Antidumping Proceeding Notice," indicating that there was evidence on record concerning injury, or likelihood of injury, to an industry in the United States was published in the Federal Register of January 4, 1979 (44 FR 1233-9). A "Withholding of Appraisement Notice" was published in the Federal Register of July 13, 1979 (44 FR 41004-5).

Spun acrylic yarn is used predominately in machine knitting applications, such as in the production os sweaters, gloves, scarves, and headwear. It is manufactured from fine to medium denier acrylic fiber, which in turn is made from acrylonitrile monomer.

For purposes of this notice, the term "spun acrylic yarn" means spun yarn of acrylic provided for in item 310.50, Tariff Schedules of the United States.

Determination of Sales at Less Than Fair Value

On the basis of the information developed in this investigation and for the reasons noted below, I hereby determine that spun acrylic yarn from Japan is being, or is likely to be, sold at less than fair value within the meaning of section 201(a) of the Act (19 U.S.C. 160(a)).

Statement of Reasons on Which This Determination Is Based

a. *Scope of the Investigation.* Approximately 83 percent of the imports of the subject merchandise from Japan sold for export to the United States during the investigatory period (January 1, 1978, through December 31, 1978) was sold by Diafibers Company, Ltd. (Diafibers), a joint selling company for Japan Exlan Company, Ltd., and Mitsubishi Rayon Co., Ltd., and by Asahi Chemical Industry Co., Ltd. (or its related selling company, Nippon Synthetic Fibers Co., Ltd.). The investigation therefore was limited to sales by these companies.

b. *Basis of Comparison.* For the purposes of this determination, the proper basis of comparison is between the purchase price and the home market price of such or similar merchandise. Purchase price, as defined in section 203 of the Act (19 U.S.C. 162), was used since the great preponderance of sales for export to the United States were made to non-related customers.

Home market price, as defined in § 153.2, Customs Regualtions (19 CFR 153.2), was used since such or similar merchandise was sold in the home market in sufficient quantities, at prices equal to or above the cost of production, to provide an adequate basis of comparison for fair value purposes.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was gathered concerning sales to the United States, sales to countries other than the United States and home market sales during the period January 1, 1978, through December 31, 1978.

c. *Purchase Price.* For purposes of this determination, purchase price has been calculated on the basis of the f.o.b. price to United States customers or the price to unrelated trading companies for export to the United States. Deductions have been made for inland freight and shipping expenses, where applicable.

d. *Home Market Price.* For purposes of this determination, the home market price has been calculated on the basis of the delivered price in the home market to unrrelated purchasers. Adjustments have been made for differences in inland freight, packing and interest expenses between home market sales and export sales. Deductions have been made, where applicable, for certain sales promotion expenses incurred by the manufacturers on behalf of their home market customers. An adjustment to home market price has been made for the difference in spinning cost incurred with respect to export and home market merchandise, in accordance with § 153.11, Customs Regulations (19 CFR 153.11).

A claim for an adjustment for differences in advertising expenses has not been allowed because the manufacturers did not substantiate their allocation of advertising expenditures between home market and export sales. A claim for a price differential between raw material consumed in merchandise exported to the United States and that consumed in merchandise produced for domestic sale was not allowed because there is no difference in the raw material. Furthermore, a requested non-confidential summary describing this claim has not been submitted; therefore, the entire submission on this issue may be disregarded.

Claims for adjustments for warehousing costs incurred on home market sales and for financing interest expenses have not been allowed because such expenses are general in nature and not tied to particular sales. A claim for an adjustment for differences in laboratory costs between home market and exported merchandise has not been allowed becaue it has not been demonstrated that these costs are other than general research and development expenses unrelated to the sales under investigation. Claims for administrative expenses of sales departments have not been allowed because such expenses have not been properly documented and have not been shown to be directly related to the sales investigated. Expenses of these sorts are not considered to be the bases for adjustments because they do not constitute circumstances of any particular sale, as required by § 153.10, Customs Regulations (19 CFR 153.10).

A claim was made for an adjustment based on § 153.52(b) of the Customs Regulations (19 CFR 153.52(b)), due to the decline of the yen-dollar exchange rate in the latter half of 1978. Even if this section were applicable, it would not result, as requested by respondents, in excluding sales during that period from the fair value comparisons. However,

BEST DOCUMENT AVAILABLE

this claim has been disallowed because no conversion of currencies took place given that both home market and purchase prices were originally stated in yen.

Respondents made no claim for an adjustment based on different levels of trade under § 153.15, Customs Regulations (19 CFR 153.15), although it seems that such an adjustment may be appropriate. In the absence of any information regarding this matter, no adjustment of this kind has been made. However, if respondents supply satisfactory information to support such an adjustment, it could be made at the point when dumping duties are assessed, should that occur following the injury investigation of the U.S. International Trade Commission.

e. *Cost to Produce.* Counsel for petitioner has alleged that sales of this merchandise for home consumption or to third countries have been made in substantial quantities over an extended period of time at prices which are less than the cost of production and which do not permit recovery of all costs within a reasonable period of time in the normal course of trade, within the meaning of section 205(b) of the Act (19 U.S.C. 164(b)). Information submitted with the petition indicated that petitioner's claim might be well founded. Therefore, it was determined that an investigation of respondents' costs of production was warranted.

The respondents in this case declined to provide information concerning their costs of production. Hence, pursuant to § 153.31(a), Customs Regulations (19 CFR 153.31(a)), the best evidence of cost of production was utilized in an effort to determine whether section 205(b) of the Act was applicable. It has been determined that the best information available is that information which has been submitted by the manufacturers themselves in support of the various claims made for adjustments to their home market prices, information gathered during verification by Customs Service representatives, and information in publicly available documentation. Using such information it has been determined that at least 22 percent of each manufacturer's sales were made at less than the cost to produce in the home market.

Accordingly, those sales were disregarded in establishing fair value. The remaining home market sales made at above the cost to produce, which constituted over 50 percent of the home market sales for each manufacturer, have been determined to be adequate as a basis for the determination of fair value.

In a related allegation, counsel for the petitioner asserted that fiber, a major component of acrylic yarn, was sold to the yarn producers at an artificially low price by related companies, and that the cost of producing the fiber should have been determined and used. However, this was not done because it has been determined that the prices for fiber between related companies used in the cost calculations reflect the market value of the fiber in question and were approximately equivalent to prices for fiber from unrelated sources.

f. *Results of Fair Value Comparisons.* Using theabove criteria, purchase price was found to be lower than the home market price of such or similar merchandise. Comparisons were made on-82.8 percent of sales to the United States market during the investigatory period. Weighted-average margins over the total sales compared for each firm were 29.05 percent for Asahi Kasei, 18.33 percent for Japan Exlan and 20.28 percent for Mitsubishi Rayon, with an overall eighted-average margin of 23.19 percent for all manufacturers combined. The range of margins was from 6.13 to 58.21 percent in the case of Asahi Kasei, from 0.5 to 41.13 percent in the case of Japan Exlan, and from 5.01 to 49.63 percent in the case of Mitsubishi Rayon. Margins were found on 100 percent of the sales compared for each manufacturer.

The Secretary has provided an opportunity to known interested persons to present written and osal views pursuant to § 153.40, Customs Regulations (19 CFR 153.40). However, the parties declined to request an oral hearing and none was held.

The United States International Trade Commission is being advised of this determination.

This determination and statement of reasons therefor are being published pursuant to section 201(d)(2) of the Act (19 U.S.C. 160(d)(2)).

David R. Brennan,

Acting General Counsel of the Treasury.

October 18, 1979.

[FR Doc. 79-33050 Filed 10-24-79; 8:45 am]

BILLING CODE 4810-22-M

APPENDIX D

TREASURY'S NOTICES OF ITS ANTIDUMPING PROCEEDING AND WITHHOLDING OF APPRAISEMENT AND DETERMINATION OF SALES AT LTFV ON IMPORTS FROM ITALY

BEST DOCUMENT AVAILABLE

Spun Acrylic Yarn From Italy; Antidumping Proceeding Notice

AGENCY: U.S Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether imports of spun acrylic yarn from Italy are being, or are likely to be, sold at less than fair value within the meaning of the antidumping Act, 1921, as amended. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are less than the prices in the home market or the constructed value.

EFFECTIVE DATE: July 2, 1979.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Duty Assessment Division, U.S. Customs Service, 1301 Constitution Avenue, NW., Washington, D.C. 20229 (202-566-5492).

SUPPLEMENTARY INFORMATION: On May 21, 1979, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel representing the American Yarn Spinners Association, Gastonia, North Carolina, alleging that the subject merchandise from Italy is being, or is likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.)* ("the Act").

For purposes of this investigation, the term "spun acrylic yarn" means spun yarn of acrylic, provided for in item 310.50, Tariff Schedules of the United States.

Pricing information was supplied by petitioner for yarn sold to the United States and to the Italian home market which indicates that there may be less than fair value margins of as much as 52 percent. The petitioner has also supplied information pursuant to section 205(b) of the Act (19 U.S.C. 164(b)), alleging that sales in the home market may be below the cost of production. Petitioner derived a constructed value for spun acrylic yarn produced in Italy and, in comparison with a representative export price to the United States, arrived at an alleged less than fair value margin of 66 percent. Since petitioner has presented sufficient evidence to support the claim of below-cost sales, the investigation will include not only price-to-price comparisons but will also seek to determine (1) whether there have been sales made in the home market at less than the cost of production over an extended period of time and in substantial quantities and (2) whether such sales were not at prices which permit recovery of all costs within a resasonable period of time in the normal course of trade. If there have been such sales, those sales will be disregarded in the determination of foreign market value. If insufficient sales in the home market or to third countries remain at not less than the cost of production, then the constructed value will be employed as the basis of fair value.

There is evidence on record concerning injury or likelihood of injury to an industry in the United States that produces spun acrylic yarns. This information indicates that imports of spun acrylic yarns from Italy are underselling domestic spun acrylic yarn by margins of up to 28 percent, which is fully accounted for by the alleged dumping margins. Imports of spun acrylic yarn from Italy have increased in both absolute and relative terms.

In addition, domestic production, capacity utilization and sales, which had declined from 1973 to 1976 but had begun to recover in 1976, have failed to continue to increase with increased domestic demand. Furthermore, petitioner's profitability in the production of spun acrylic yarn has failed to improve and employment in the petitioner's plants has been affected by lost sales.

Having conducted a summary investigation as required by § 153.29, Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an injury to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value.

This notice is being published pursuant to § 153.30, Customs Regulations (19 CFR 153.30).

Robert H. Mundheim,

General Counsel of the Treasury.

June 25, 1979.

[FR Doc. 79-20360 Filed 6-29-79; 8:45 am]

BILLING CODE 4810-22-M

BEST DOCUMENT AVAILABLE

DEPARTMENT OF THE TREASURY

Office of the Secretary

Spun Acrylic Yarn From Italy; Antidumping Withholding of Appraisement Notice and Determination of Sales at Less Than Fair Value

AGENCY: Treasury Department.

ACTION: Withholding of Appraisement and Determination of Sales at Less Than Fair Value.

SUMMARY: This notice is to advise the public that an antidumping investigation has resulted in the determination that spun acrylic yarn from Italy is being sold at less than fair value under the Antidumping Act, 1921. Appraisements of entries of this merchandise will be suspended for 3 months. This case is being referred to the International Trade Commission for a determination whether an industry in the United States is being, or is likely to be, injured by reason of such imports.

EFFECTIVE DATE: December 20, 1979.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Trade Analysis Division, United States Customs Service, 1301 Constitution Avenue, NW., Washington, D.C., 20229, (202) 566–5492.

SUPPLEMENTARY INFORMATION: On May 21, 1979, a petition in proper form was received from counsel on behalf of the American Yarn Spinners Association, Gastonia, North Carolina, alleging that spun acrylic yarn from Italy is being sold at less than fair value, thereby causing injury to, or the likelihood of injury to, an industry in the United States, within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 *et seq.*) ("the Act"). On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the Federal Register of July 2, 1979 (44 FR 38596).

For purposes of this investigation, the term "spun acrylic yarn" means spun yarn of acrylic, provided for in item 310.50, Tariff Schedules of the United States.

Determination of Sales at Less Than Fair Value

I hereby determine that, for the reasons stated below, spun acrylic yarn from Italy is being, or is likely to be, sold at less than fair value within the meaning of section 201(a) of the Act (19 U.S.C. 160(a)).

Statement of Reasons on Which This Determination Is Based

The reasons and bases for the above determination are as follows:

a. *Scope of the Investigation.* It appears that virtually all imports of the subject merchandise from Italy were manufactured by Maghfico Varianini S.p.A., Fraver S.p.A., Orlandi Filatura S.p.A., and Zegna Baruffa S.p.A.; therefore, the investigation was limited to these manufacturers. However, these companies declined to answer the antidumping questionnaire, stating that they planned to cease shipments to the United States. Fraver did present price information on a single sale which was substantiated by information from Customs field offices. Because this information specified a particular type of yarn and cost information was subsequently furnished by the petitioner on that type of yarn, the investigation was limited to this single sale.

b. *Basis of Comparison.* For purposes of this determination, the proper basis of comparison is between the purchase price and the constructed value of such or similar merchandise. Purchase price, as defined in section 203 of the Act (19 U.S.C. 162), was used because export sales to the United States were made to unrelated customers. Constructed value, as defined in section 206 of the Act (19 U.S.C. 165), was used since no home market prices were furnished by the respondents, and the home market prices shown in the petition were less than the cost of production shown in the petition and related to a different quality of yarn that the one for which purchase price information was obtained.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was sought concerning imports during the period January 1 through June 30, 1979. Since the merchandise exported by Fraver during that period was sold during the second quarter of 1978, cost information was developed for that particular yarn produced during that quarter.

c. *Purchase Price.* For purposes of this determination, since all merchandise was purchased or agreed to be purchased, prior to the time of exportation, by the person by whom or for whose account it was imported, within the meaning of section 203 of the Act (19 U.S.C. 162), purchase price has been calculated on the basis of the f.o.b. price to the United States importer. The price per kilogram was adjusted to a price per pound in order to relate to the cost of production data supplied. No other adjustments were claimed or made.

d. *Constructed Value.* For purposes of this determination, the constructed value has been calculated, in accordance with section 206 of the Act (19 U.S.C. 165), based on data furnished in a supplementary submission from the petitioner. Information was submitted regarding the cost of materials, usual general expenses in the industry (the value of which exceeded the statutorily mandated amount of 10 percent), a profit of 8 percent of the costs of the foregoing categories, and the cost of packing.

The home market prices indicated in the petition were not used because they were below the cost of production shown in the petition and related to a different quality of yarn than the one for which purchase price data had been acquired.

e. *Result of Comparison.* Using the above criteria, a comparison was made on one sale of spun acrylic yarn to the United States during the representative period. Comparisons were limited by the failure of the Italian respondents to furnish export and home market data. A margin was found of 48.05 percent.

The Secretary has provided an opportunity to known interested persons to present written and oral views pursuant to § 153.40, Customs Regulations (19 CFR 153.40).

Based on the reasons stated above, Customs officers are being directed to withhold appraisement of spun acrylic yarn from Italy in accordance with § 153.48, Customs Regulations (19 CFR 153.48).

This withholding of appraisement, which is published pursuant to § 153.35(a), Customs Regulations (19 CFR 153.(a)), shall become effective December 20, 1979. It shall cease to be effective at the expiration of 3 months from the date of this publication unless previously revoked.

The United States International Trade Commission is being advised of this determination.

BEST DOCUMENT AVAILABLE

This determination is being published pursuant to section 201(d) of the Act (19 U.S.C. 160(d)).

Robert Mundheim,
General Counsel of the Treasury.
December 14, 1979.
[FR Doc. 79-38973 Filed 12-19-79, 8:45 am]
BILLING CODE 4810-22-M

[redacted]

APPENDIX B

PROCEDURE EMPLOYED IN ESTIMATING TOTAL IMPORTS OF SPUN ACRYLIC PLIED YARN

[redacted]

Procedure Employed in Estimating Total Imports of Spun Acrylic Plied Yarn

TSUSA item 310.5049 (nontextured spun plied yarn of acrylic) was established March 1, 1978. During January and February, 1978, spun acrylic plied yarn was classified in TSUSA item 310.5048 (nontextured spun plied yarn of noncellulosic man-made fibers other than nylon and polyester); and prior to January 1, 1978, such yarn was classified in TSUSA item 310.5045 (nontextured spun plied yarn of man-made fibers). Therefore, an allocation of official import statistics for item 310.5045 in 1976 and 1977, and for items formerly composing item 310.5045 in January and February 1978, was made for purposes of reporting total imports of spun acrylic plied yarn (questionnaire responses were used for calculating imports from Japan and Italy).

During March-December 1978, imports of item 310.5049 totaled 18.4 million pounds and imports of the items that formerly composed item 310.5045 totaled 21.0 million pounds. The share of item 310.5045 accounted for by item 310.5049 in this period was 87.6 percent. The percentage was applied to imports of item 310.5045 for 1976 and 1977, and to imports of the items that formerly composed item 310.5045 during January and February 1978 (items 310.5030, 310.5046, 310.5047, and item 310.5048) to obtain estimates for imports of spun acrylic plied yarn. Calculations are shown below.

Period	Imports of TSUSA item 310.5045	x	.876	=	Estimate for spun acrylic plied yarn
1976------------	7,844,894				6,872,127
1977------------	17,780,652				15,575,851
Jan.-Feb. 1978--	5,853,348				5,127,533

Library Cataloging Data

United States. International Trade
Commission.
Spun acrylic yarn from Japan and Italy : determinations of material injury in investigations nos. 731-TA-1(final) and 731-TA-2(final) under the Tariff act of 1930, together with the information obtained in the investigations / USITC. -- Washington : USITC, 1980.

26, A 52 p. : ill. ; 28 cm. -- (USITC publication 1046)

1. Yarn. 2. Acrylic fibers. I. Title.